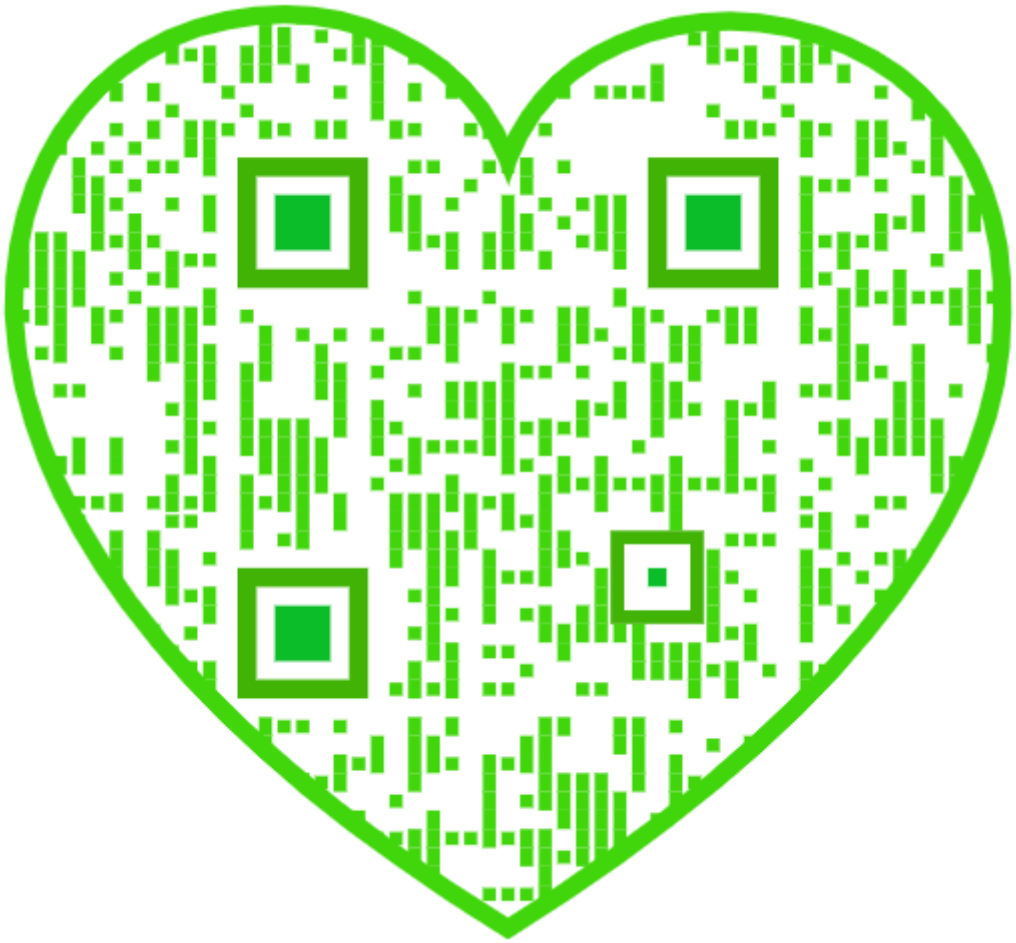

POLITICAL ECONOMY FOR THE MILLION.

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A HANDYBOOK

OF

SOCIAL INTERCOURSE.

POLITICAL ECONOMY FOR THE MILLION.

BY

WILLIAM B. CHORLEY.

'[redacted] is the land, so also is the sea surrounding the shore, most productive of wealth.' XEN: *De Vectigal:*

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PREFACE

UNTIL very recently, Political Economy was deemed a science so abstruse as to be wholly beyond the understandings of common people. Those deeper thinkers, who made the subject a study, differed on many essential points so widely amongst themselves that learners were repelled in uncertainty and disgust, and proclaimed the whole matter to be a strife of words and abstractions, of no utility and without any fixed purpose. When the Professors were invited to prove their loud assertions of the important bearing of this science on all the relations of common life, by some practical application of its abstract principles to concerns generally understood and of every-day interest, the attempt, unhappily, often only strengthened these unfavourable conclusions. They were not agreed amongst themselves even as to the meaning of the terms in which they delivered their oracles; and when the reader tried to form his own opinion upon their conflicting assertions, he found himself stopped on the threshold of the school by hearing languages spoken which he could not at all understand. The

words used were English, such as he could well comprehend elsewhere; but the precise sense there given to them, and upon which the whole value of the utterance rested, seldom corresponded with the ideas annexed to those words in common discourse. A new language had to be learned; and the identity of the terms employed with those to which long use had attached a different signification, perplexed rather than aided the inquirer. And when, after much difficulty, the decision pronounced upon some question of importance came to be understood, it seldom applied closely enough to the matter in doubt to be of any practical utility. This evil is increased by the removal of all restrictions upon commerce having rendered obsolete much of the reasoning applicable only to the old times of protection. The whole subject, therefore, requires to be re-written, and brought down to the state of things at the present day.

Something has been done of late towards removing these objections; but it appears to us that there is yet needed a manual,—to use the excellent title of Lord St. Leonards, "A Handy Book,"—of Social Intercourse. None of the treatises undertaking to supply this want seem to us to enable the general reader easily to obtain the required knowledge. We shall here attempt to remove this deficiency, and to bring Political Economy from the closets of the learned to the farms and factories, the shops and warehouses, of our busy land; for the truths it teaches closely

concern the workers as well as the thinkers in every walk of life. It is no mere jargon of words, or dream of abstract speculations, but the vital moving principle of every branch of society. When a season of commercial panic and distress overtakes us, loud are the cries raised for the interference of Government with the banking system of the country. Measures totally opposite in their nature and effects are vehemently demanded, as the sole means of restoring prosperity, by parties each equally confident that some pet scheme or other is the required panacea. When disputes arise between masters and men, in any branch of trade or manufacture, what diverse, absurd, and contradictory statements and systems are propounded to account for and determine the difference! When any foreign country imposes a duty on our ships or merchandise, how many opposite theories are boldly stated as to the effect upon our trade, and the means we ought to adopt to redress the supposed injury! When a new tax has to be levied, or an old one repealed, how various are the opinions broached on all sides as to the principles on which the revenue can be raised with least pressure on the country! In these and numerous other cases of frequent occurrence, where to arrive at the truth is of the most pressing importance, for the interests of all concerned, the sound principles of Political Economy furnish the only safe ground on which any correct reasoning can be based.

Therefore our purpose is to give such an outline of

this science as may be generally understood with no more preparation or study than is required for any sustained effort of the mind. All unnecessary strangeness of language, and use of familiar words in new senses, will, it is hoped, be avoided in these pages. But the reader will be required to pay some attention to the precise ideas annexed to the terms employed. With a little care and practice, this will become an easy task; and the effort is more or less required in mastering any subject. No real knowledge can be conveyed in loose or inaccurate language where the exact sense is doubtful, from the vague and changeable meanings of the words in which it is expressed.

Perhaps we may appear too diffuse in the elementary and introductory parts of our work, and now and then to repeat needlessly the same illustrations and definitions. But if clear ideas and fixed attention to first principles are thereby secured, we shall be indifferent to this censure,—well knowing that without a sure foundation, little or no true learning can ever be acquired.

In this brief treatise merely a summary can be given of some of the principal branches of our inquiry, the details of which may be further pursued at a future time, if this introduction answers the desired purpose.

The time chosen for drawing attention to this subject will not be thought inopportune. Many visitors to the Great Exhibition of the Arts, Products, and Industry of all Nations will feel some desire to examine the means by which these several peoples, and our own

land especially, have risen to their present state of wealth and prosperity. And many important matters now under discussion in Parliament, many events of recent occurrence, affecting our manufacturing and commercial interests, particularly require much of the knowledge we here seek to convey for their treatment most beneficially to the country.

April 1862.

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HANDYBOOK OF SOCIAL INTERCOURSE

INTRODUCTION

SOCIAL, or, as it is generally termed by writers upon the subject, POLITICAL ECONOMY*, may be considered as the knowledge of the principles which direct our social intercourse or dealings with each other in all relating to the business of life. It has often been defined as the science which teaches the laws regulating the production, distribution, and consumption of wealth. But a very enlarged meaning must be given to the word *wealth*, to make this definition embrace all the bearings of political economy: wherever traffic of any kind takes place—wherever men are engaged in any labour or calling, however humble, the principles of political economy apply as closely to their dealings with one another of every kind, as to the commerce of rich nations, or to the revenues of mighty empires. The same laws operate—the difference is only in extent. Again, if for *wealth*, in the foregoing definition, we substitute *objects of utility and necessity*, some expansion of the ideas commonly attached to these words will be needful. In many cases the laws of political economy regulate and apply to objects and

* Economy, generally understood as meaning thrift, is formed of two Greek words signifying the regulation of a household, but also frequently used in the same sense as our political economy, viz., the regulation of the public family, treating of the dealings of men with one another in the various relations of society.

pursuits of pure fancy and luxury, or of mental and bodily culture and recreation.

Properly understood, this science has more or less to do with the business of life, wherever society exists; and social intercourse, under whatever form, is subject to many of its laws. But it does not profess to teach any art, trade, or calling, though dealing with the general principles of all—much as anatomy explains the structure and connection of the nerves, bones, &c. of living animals, or geometry teaches the relations of lines, surfaces, and solids. But as in living animals the bare anatomy is hidden and clothed by the outward body; and in solid substances, the lines and surfaces of geometry exist only in abstracted conception; so in the daily business of the merchant, manufacturer, farmer, &c. the principles of political economy which regulate his course are overlaid and hidden by the details of his calling. Yet, as the surgeon and physician need anatomical knowledge, and the mechanic is guided in his work by the laws of geometry, so is the application of political economy continually necessary to the man of business, though often unseen and unrecognised. Therefore by daily use and experience some knowledge of these principles as applied in practice, is acquired by almost every one actively engaged in life, though mostly without any system or general acquaintance with the subject. We shall advert, now and then, in the following pages, to some errors arising from this adoption of conclusions without any knowledge of the grounds on which they rest, and show the practical mischief which has now and then arisen from their wrong application.

A rapid general view of the origin and progress of society will suggest the several heads into which our subject may be divided, so as to enable us to view its separate relations in the most natural order, with reference to the continual progress from the simpler to the more complicated branches of social intercourse, as men advance in civilisation.

Before proceeding in this introductory survey, let us give a few observations on the mode in which any research for true principles should be pursued, and their application directed. Two leading maxims must never be forgotten. No conclusion

however sound must be stretched beyond its real bounds, or pushed to consequences not wholly and fairly embraced by them. In every application of general laws, especial care must be taken to search for and fully consider every attendant and exceptional feature of each particular case which may modify or oppose their influence.

We shall find as we proceed that much of the obscurity and many of the disputed and unsound opinions and apparent paradoxes hitherto often found in treatises on Political Economy, have arisen from one-sided views, and pet theories pushed too far, or from applying abstract principles too generally and rigorously, wholly in neglect of circumstances often opposing or changing their effects. If we can succeed in avoiding these sources of error, our progress in attaining real knowledge of our subject will be rendered more safe and easy.

It has been objected to the study of political economy, and the application of its principles to every-day life, that the tendency of its doctrines is to harden the heart—to exalt wealth as the sole aim of pursuit, and to make every man selfish in dealing with his neighbour. Were this really the case, the less known of it the better. But the very reverse is the fact. Properly studied and employed, the truths this science unfolds have directly the contrary result, by enabling every man better to understand and practise, for the benefit of others no less than himself, his first social duties.

Especial care will be used in the following pages to consider the subject in connection with the surrounding claims and circumstances of society, taken as a whole, which, when properly taught, political economy supports on their only sound basis. Unless we know how our fellow-men can be really and well served, the kindest motives will mostly do little actual good; may, on the other hand, often in ignorance, cause only mischief. This knowledge Political Economy teaches, and, worthily learned, incites every man to exercise for good.

PART I.

GENERAL OUTLINE

CHAPTER I.

ON SAVAGE AND CIVILISED LIFE

THROUGHOUT all animated nature, no stronger or more general distinction will be found than between solitary and social animals. So many instances will at once occur to all our readers of beasts, birds, fishes, and insects forming communities or herding together, as distinguished from others living in solitude, that it is superfluous here to illustrate this obvious remark. Man, though differing widely from inferior creatures in adaptation to different modes of existence, and in capability of progress, nevertheless proceeds so generally and uniformly to association in communities, as fast as individuals are collected to form them, in all countries and under all circumstances, that he is undoubtedly a gregarious animal, noways of the solitary class. Influences of climate and other conditions may hasten or retard this combination in particular instances; but in almost every case societies are formed from families, and become nations under the same general laws. The few examples where this tendency seems to have been so weak as not to have produced much effect, are wholly exceptional in their rare and limited occurence, leaving untouched the application of what we may call this universal instinct.

Writers on Government and Moral Philosophy, tracing society to its origin to seek therein support for their several theories, have inquired into the laws and motives directing this tendency to association; but these speculations need not here be considered. Whether solitary man, in a state of war, found in combining with his fellows the means of mutual aggression and defence; or the patriarchal family expanded into an organised community under a ruler established for the protection of all; or from whatever motives or causes societies have been formed, is to us an unimportant inquiry, so long as we recognise the fact that men, almost without exception, combine and collect in masses as soon as such combination is possible, and form societies and nations.

Were it needful here to enter upon this discussion, the political economists have perchance a more probable account to give of the origin of society than has been afforded by many theories of moral and political philosophers.

Assuredly the increase of comfort and ease in procuring the means of subsistence derived from association seem sufficient reasons for the change from solitary life to communities. But, as we have before remarked, whether society was formed for the sake of these advantages, or found after its formation the means of enjoying and extending them, is here of little consequence.

The tendency of men to form societies being therefore premised, let us follow the steps of this formation, and trace their progress bearing upon the objects of our inquiry.

'By the sweat of thy brow thou shalt eat bread' is the general doom of each descendant of Adam. From the first step of the solitary hunter in the unclaimed wilderness to the foundation of a city on the spot where wild animals once gazed in wonder at the form of man, every successive progress has been made by labour. Here the life of Robinson Crusoe will occur to many of our readers. Most of us remember that delightful book amongst the 'household words' of early days; and the struggles of the shipwrecked sailor to procure food, shelter, and clothing—singlehanded, in an unpeopled country—are stamped with vivid interest upon the memory. He had to

learn, after many trials and failures, something of the several trades of the farmer, the tailor, the potter, the carpenter, &c.; and the toil of each effort was painfully increased by the want of all appliances, help, and teaching, and by the daily succession of many different cares and changes of work. Much less was done each day, when he was thus forced to be *Jack-of-all-trades*, than would have been got through could he have stuck to any one calling; and we see how vastly the help even of one assistant increases his comfort and resources, by his comparative prosperity when aided by his faithful man Friday.

As soon as men associated, their first discovery would be how immensely their combined powers were increased by DIVISION OF LABOUR, however rude. By this division we mean the assignment of some particular task or duty to each individual, instead of each undertaking everything in turn, and changing from one kind of work to another. The rudiments of this division are found in every family, arising, as in communities, from the employment of each in the task for which he or she is found to be best adapted. The wife and children are unable to aid in the chase, but can perform many household duties better than the young man in the flower of his strength. A man, when sick or wounded or disabled by the weight of years from holding his place beside the youthful hunters, can fashion or repair the bow and spear, or point arrows. Upon these older or infirm men and the women of the household would naturally fall the making of clothes, the care of flocks, and the tillage of the ground where any land is cultivated. Here we have the rudiments of trades and callings. The gradual, onward progress to a high state of civilisation — to cities and wealth, has often been traced in a single generation. Under the forcing stimulus of the discovery of gold, we have seen this change pass through all its stages, almost like the rapid succession of slides in a magic lanthorn. First came the settler's family, tilling the lonely waste; then followed the hiring of herdsmen, and the location of other families, forming a neighbourhood. Next were the stores or shops, to supply the wants of the prosperous and

increasing community; the merchant and factor, to sell their produce in their own and foreign lands; and the banker soon was required, to supply the means of payment in transactions which before were generally mere exchanges of one thing for another. These were rapidly followed, as the population increased, by all the arts, trades, and professions of a thoroughly civilised community.

When we have sufficiently described and understood the guiding principles of all these changes, the main part of our task will have been accomplished; and those who follow our steps, if we at all succeed in this progress, will have laid a good foundation for a thorough acquaintance with all that can be taught by political economy.

In this review we shall naturally begin by tracing labour—the foundation and origin of all progressive improvement, through its various steps, until we reach the stage where the manufacturer and merchant are called in to prepare and distribute the commodities* required by the wants of society. Then will naturally follow the consideration of the laws regulating the functions of the banker, money-changer, &c., and of the various arts and professions of the present refined and complicated state of social intercourse.

CHAPTER II.

LABOUR

It may truly be said that without labour the most fertile soil, the most propitious clime, yield little or nothing which would enable man to live, even on the lowest possible scale of existence. Hence it may also truly be said that labour is the

* It is hardly needful to explain that this word is always used by us as meaning produce, goods and articles traded in, generally; not in its sense of profit, advantage, &c.

origin of all value, or that labour is the original measure or standard to which the value of all things may be reduced. And this position, well understood, and not extended beyond its legitimate consequences, will be found to apply universally throughout the whole of our subsequent inquiry. Let us proceed to lay down clearly, and as far as possible thoroughly explain, a first principle of so much importance.

The hunter in a wild land has all that the earth and waters yield free for his use. All is practically his own. But some labour is needed to procure every meal, to provide clothing, and shelter for his head. He must catch, kill, and prepare for food the beasts, fowl, or fishes, which form his subsistence, or gather the fruits of the earth, which mostly need some cooking to fit them for use. He must often destroy beasts of prey or noxious animals to secure his own life. Skins have to be dressed for his clothes; some tent, hut, or cave must be prepared to shelter his family. This toil varies in nature and degree with difference of climate; but in some form and to some extent it must be undergone wherever men exist. And this labour is, as before said, the origin and measure of value of all he possesses. The spear for the chase represents in value the labour of procuring the suitable material, and of fashioning the weapon. Even the fruits of the earth, yielded spontaneously, must be gathered. As labour is the origin of value, so is it the foundation of property. Tracing everything to a first origin, we suppose the earth, and all it produces, then common to all. What each man takes to himself and fits for his own use, belongs to himself as his property. This principle of appropriation exists more or less in the most savage tribes. The first discoverer of a fertile, watered land, abounding in animal life for food, takes possession of it as his own. The toilsome search to discover this more genial spot, perchance by passing through rugged, inclement tracts where he has scarcely been able to exist, is the labour which procures for him the ground he has chosen.* In our introductory chapter,

* No trace beyond vague tradition can be found amongst savage nations of their early history. Wars for possession of land imply previous property.

we rapidly traced the origin of the division of labour; to which we will now briefly revert, in its bearings upon labour as the origin of value and of property. This consideration comes naturally here, seeing that the holding of land as property is perhaps the first great step in the division of labour wherever society advances from the savage to the civilised state. Some of the hunters become tillers of the soil and breeders of cattle. As their numbers increase, workers in wood and iron — makers of clothes, houses, furniture, implements, &c., arise as separate trades from the farmer and shepherd, chosen by men who feel a natural fitness for these callings; and it is soon found how much this division of labour increases the store of useful things to be divided amongst all. The next step in tracing labour as the origin of value is to follow this division in the state of society we are considering. We must bear in mind that this is a very primitive state of things, and for a while forget our notions of money, and of buying and selling, which long use has made so familiar to us that they are the only conditions under which we consider the exchange of commodities. We shall come to these in due time; but meanwhile we will trace the first steps or rudiments of traffic. All buying and selling here take the form of barter; that is, of exchange of one thing for another: and the equivalent* of everything so exchanged is the number or quantity of other things received for it. In this exchange, what is given and received are mutually the measures of value of each other. Thus, if a farmer gives an ox, or four sheep, or six measures of wheat for a plough, each of these measures the value of the plough in this barter, and the plough measures the value of whatever may be given for it. We shall treat more fully of value in a future chapter; but this is the form in which the value of things appears in the stage of barter; and of this value, as we have said, labour is the origin, as well as of the property bartered. The first principle of this value in exchange is, that equal portions of labour are of equal value. What has

* The difference between value and price arises in civilised intercourse, and will be seen in its place.

been the produce of two days' labour exchanges for double the produce of one day's labour.* We here see that labour, estimated by its produce, is the measure as well as the origin of value in this stage of barter; thus furnishing a common scale by which the values of different things bartered for one another may be compared. Taking the case of barter before-mentioned, suppose the plough to be the produce of one week's labour; this week's labour is alike the measure of value in barter of the plough, as of the ox, the four sheep, or the six measures of wheat, for which the plough is given in exchange. This will seem, to many of our readers, to need some explanation. The week's labour is easily traced in making the plough; but the six measures of wheat are not so clearly the produce of a week's toil; still less do the ox or the four sheep seem connected with any exact amount of a day's work. Let us consider this matter a little more closely.

On examining the process of procuring the commonest necessaries and conveniences of life, we soon find how much help the hand needs to perform even the simplest operation. Wonderful as the hand of man is in pliant force, when armed with some implement or weapon, there are few useful tasks which it can perform wholly without such aid. Before attempting any work man has to prepare some tool or implement for its performance. And a portion of the labour of this preparation has to be added to the labour required in the use of such tool or implement in estimating the total labour which forms the value of the thing produced by this handiwork. We say *a portion* of the labour of preparing such tool or implement must be added, because the tool being once fashioned remains for future use, and the proper portion of the labour required for its formation being allowed for in calculating the labour value of the work each time it is used, will represent the total labour of fashioning and repairing it until worn out. We here find in examining even the most simple case of the products exchanged in barter, viz. the

* This principle applies merely to savage society. The difference between skilled und unskilled labour will hereafter be considered.

plough, two kinds of labour to be considered — that of forming the tools for making this plough, which tools may have been fashioned months or years before they were used in making the individual plough now bartered, and may in that time have been used to make many other ploughs,—and the direct hand-labour employed in using these tools on the present occasion. Again; the wood, or wood and metal, of which the plough is made, may be taken from a store gathered some time back, and laid by to make into ploughs when requisite. A portion of the labour of gathering or providing this store of materials, corresponding to the quantity now used for the plough must, in like manner, be added to complete the total amount of labour expended in its formation. Here, as in the case of the tools, we meet with labour hoarded or accumulated to aid the direct labour or handiwork required to make our plough. We are now considering a very important principle, which lies at the bottom of the wide change from savage to civilised life, and of many of the most difficult cases which occur in considering the varied relations of society in the present day. We shall find this accumulated labour appear in many forms, with an infinite variety of products, and engaged under various names and circumstances in connection with direct labour at every stage. Careful attention to trace the origin and subsequent progress of this accumulated labour, will therefore render a correct view of these various combinations comparatively easy.

Passing from the plough, which is more clearly the produce of labour, to the wheat, the ox, and the sheep, where, as we have said, the origin of value is not so apparent at first sight, we shall find, upon a little reflection, that the accumulation of labour here meets us again under a somewhat different form. The labour to appropriate and prepare the ground to grow the wheat or to feed the cattle — the labour employed on the seed saved for sowing, or in the care of the herd — all making of tools and implements for tillage, reaping, &c., are merely accumulations of days' works or portions of days' works, where, as has been before said, labour alone gives value, and is the origin of all property. Let us not, however, here be misunderstood. We do not assert that this nice and true adjustment of labour, as

a measure of value is made in every case of barter in a savage community; we have merely traced the principles upon which the values of the things bartered really depend. So many mistakes, as we have already noticed, are often made in reasoning from first principles to their supposed or apparent results, that we cannot too carefully keep our ideas clear at every stage of our inquiry. Though the above are the real principles regulating the values of articles in barter in savage communities, yet many circumstances will vary or modify their application to particular cases of barter. Some of these circumstances, such as supply and demand, &c., equally affect all buying and selling, and will be more fully considered hereafter. But we may here advert to a disturbing influence, which, though to some extent operating in all stages of society particularly affects savage life. Caprice and the strong desire of possession often tempt uncivilized men, who are like children in their passions and impulses, to make improvident exchanges with no regard to the actual value of what is given or received. This, however, does not affect the real values themselves, or the elements of which they are composed.

The division and accumulation of labour create and modify society, which we must now follow in its progress from the elementary form to its highest stage of development. From the division of labour proceed all our various trades and professions, with their infinite subdivisions and branches. The worker — the thinker — the artist — the soldier — the governing classes — all that contribute to our mutual comfort, security, and enjoyment, have each chosen a peculiar walk or calling in life, in which each in turn profits by the labours of others, whilst himself ministering to them. Precisely the same result has followed in the civilized as in the savage community. By this arrangement each enjoys an incalculable number of advantages which would be wholly beyond the reach of the same society if every member lived working only for himself, and doing everything in turn. It is obvious that in such a position the severest unremitting toil would hardly keep life together, wholly void of nearly all that we call comforts and enjoyments.

The forms taken by the accumulation of labour are various

and manifold, and the property thus acquired may be divided into many classes, which will be the subject of our following inquiries. Manufactories, shops, farms, ships, towns, roads, harbours, &c. — all objects of utility, art, and luxury — the lore and genius of ages, are, each and all, the accumulated labour of man. And of this rich store all members of civilized societies in our times are more or less owners and inheritors.*

Let us, however, here carefully avoid a mistake sometimes made in considering this subject. Though all these varied results are alike accumulated labour, in some form or stage, we must not fancy that we can reason of them with any clearness or accuracy, by considering them as labour merely. In the accumulation and development which created them they have taken new forms and undergone various conditions; and though we know that property as capital, machinery, ships, stores of goods and produce, land, &c. all originated in and owe their value to accumulated labour, yet each of these has a distinct character and existence, and must be considered separately and independently under its own laws.

Indeed, this separation is forced upon us by finding that, in the progress of society, labour takes a distinct place amongst and in conjunction with these several interests, which, as we have shown, labour originally created. The labourer working for daily hire will come to be considered as occupying a separate position in the community; and labour must be viewed as meaning daily work; whilst accumulated labour appears as capital employing daily labour. The relations thus arising will demand most careful consideration; for, in civilized, as in savage life, the daily labourer is, perhaps, the most important member of the community. It is a healthy and cheering feature of our days, that his claims and position, which the haughty ignorance of darker times deemed wholly subordinate, are now receiving their deserved respect and consideration.

* The indolence of savage tribes is the main cause of their stagnation. Driven to labour only by necessity, they are idle when their bodily wants are satisfied. As soon as a willingness to work for comforts is created, civilisation generally rapidly follows.

For, upon this class depends mainly the standing of nations in all that elevates the social scale. And of her sons of this rank our country is, with good reason, especially proud. Whenever we are compared or measured with other nations, in war or peace, we find that the noble lines of a well-remembered poet are too true ever to become hackneyed:—

> 'Princes or peers may flourish or may fade;
> A breath can make them, as a breath has made:
> But a bold peasantry, a country's pride,
> When once destroyed can never be supplied.'

CHAPTER III.

OF PROPERTY IN CAPITAL, LAND, ETC.

PASSING onwards from the accumulation of labour and its produce for future use, we at once perceive that this step marks an important change in the relations of men to each other. In addition to the differences before existing between the strong and the weak — the diligent and the slothful — the clever and the foolish — the young and the old, as influencing their power of procuring the necessaries of life, another difference now arises, and becomes more distinct and broader as society advances in civilisation. We have those who possess some store of useful things, and those who are without. The rich and the poor stand at the extremities of this social chain, every link of which marks some gradation by the possession of more or less property. The consequences and influences of these relative differences will demand our careful consideration in their proper place. This is a very important branch of our inquiry, and the more so from the changes which advancing society produces in the classes near the top and bottom of the scale. In the primitive stage the ablest and the most industrious naturally acquired more than the feeble and worthless;

and it was apparent that each generally deserved what he possessed.* It is not always so in the society of our days. Property often comes into the hands of the weak and unworthy; whilst the strong and able may frequently struggle with penury for a bare existence. It is true that this is far from being always the case; but it happens so frequently, that both the disappointed sufferers, and those benevolent bystanders who cannot endure the sight of apparent injustice and misery, have often dreamed of a remedy in the forcible reconstruction of society on a different system. If, in the progress of our inquiry, we satisfy any of these theorists that such an adjustment, being unsound in principle, is wholly impracticable, and, could it be effected, would only render worse the evils it attempted to cure, neither our readers nor ourselves will have mis-spent the time given to these pages.

We will now proceed, in our general outline, to consider one attempt to readjust the distribution of property, which dates from the very origin of property itself, and has continued to our times. Force or craft, operating by strife, war, or theft, have again and again taken from one and given to another whatever the taker wished to have and the loser could not keep or defend. Some effects of this mode of acquiring lands, possessions, &c., and its modifications as society advances in civilisation, will be noticed in detail in their proper place; this mention of it being sufficient for our hasty sketch of the origin of property.

In most instances the acquisition of property wakens and stimulates the desire for its increase. This is generally a very active principle, operating powerfully on a large class of almost every community. Thrift and industry, whereby the first acquisitions have been made, mostly continue to enable the man who begins to become rich to increase, in place of diminishing

* The intelligent reader will see that the application of this principle has been often modified by force and fraud, from the earliest stages of society. But even in this case, personal and mental power and supremacy were essential to acquire and retain property.

his store. Thus it was early found that the same principle which, by division of labour, enlarged its accumulated produce, thus acquiring property, was, when properly applied, the best means of further increasing that property, and of ministering to the various wants of society. The proprietor of more land than he could well manage himself, agreed with another who had too little or no land, but who wished to be a cultivator, to hire his ground, paying him, as owner of the soil, a portion of the produce. We see here property distributed to increase the profit from its active employment, just as labour was divided with the same results in the earlier stages of society. Here we have the origin of farms, landlord, tenant, rents, &c., to be hereafter more fully reviewed. In like manner houses were built to be occupied by tenants, who paid the owner a rental for their use, which enabled him to derive a constant revenue from the capital* employed in their construction. The gradations in which the carrier, shopkeeper, shipowner, manufacturer, merchant, &c., gradually arose to be distinct classes by employing their own or hired capital will be readily imagined by our readers. A few considerations respecting the laws influencing the course of commerce, and the origin and increase of towns and cities, will naturally arise in another place in this treatise.

Long before society had reached this stage, it is obvious that exchanges of produce had ceased to be carried on by direct barter. The many inconveniences of this cumbrous mode of traffic would have soon stopped all further progress of trade, had not recourse been had in time to a more commodious process of buying and selling. Accordingly, we find a common measure of value, under one form or other, in use for this purpose in every community that has passed the earliest stage in its progress towards civilisation. By a common measure of value is understood some commodity generally, by agreement, given and received in exchange for all other commodities. The numerous conveniences afforded by this mode of traffic are seen at a glance. Returning to our

* See a following page for definition of Capital.

former supposed case of barter of the plough, we see that the seller of this plough might not at the time of sale want either the ox, the sheep, or the wheat which we have supposed the farmer desirous of buying the plough had to offer in exchange, whilst some other man who wanted one or other of these things possibly had nothing to give in exchange for them which their owner at that time wanted. The earliest instance of sale and purchase recorded in Holy Writ shows how soon 'the ready money of the merchants' was employed in similar transactions. From the time when money began to be generally used arose a manifold variety of trades and callings, and traffic rapidly assumed a wide extension, which will hereafter claim consideration in the proper place. Property in the shape of money began to be employed as capital — the term applied to a reserve or store of money for employment with a view to profit or revenue. Persons who did not choose to employ their own capital in trade or manufacture, lent or hired it to others — as we have remarked that the owners did with land, houses, &c. The consideration of all relating to the owner of capital, money lender, &c., and the profit or interest derived from this hiring of money, as well as everything concerning banks, banking, and money changers, are branches of this subject hereafter claiming further review in some detail.

CHAPTER IV.

OF PROFESSIONS, ARTS, GOVERNMENT EXPENDITURE, ETC.

In the earliest stages of society the *medicine man*, as he is sometimes called, and the priest, often under the name of *rain-maker*, sorcerer, &c., show the first traces of the numerous professions which we find existing in our times. The duties of chief soldier and judge were mostly in those primitive days discharged by the head or ruler of the tribe, who sometimes, though not perhaps so frequently, also filled the priestly office.

It is interesting to remark how early the contest began between brute force and brains for the ascendency over the common herd, and all the profit and power thence accruing. This strife was soon decided by the easy victory of mind. Superstitious fears were craftily brought to bear upon the simple credulity of most savage peoples, and quickly mastered the strongest and fiercest of them.

Even to our times the king or ruler has often, in many countries, been the commander of his own armies; and in some cases has personally presided in the highest court of appeal. But more frequently, as with increasing population the duties of separate offices grew to be more onerous, it became necessary to assign them to different persons, each confining himself to one particular branch both in the government and amongst the people. Thenceforward, law, medicine, religion, war, &c., have each their separate professors; which leading professions are each further subdivided into many ranks and classes as the division of labour is more minutely carried out; and the machinery of government is divided into several departments. Education, long confined to the priestly classes, takes its stand as a separate profession; and literature and the arts appear with all their branches, ministering to the instruction and amusement of society — poets, painters, sculptors, musicians, actors, &c.

A wide division has generally been made by writers on political economy, when considering the component parts of society, between what they term the productive and the non-productive classes — the useful and the useless — the workers and the spenders. But in this, as in many other cases, an actual distinction has frequently been pushed too far, and conclusions have been unfairly drawn from its arbitrary enforcement. The limit between these separate bodies is not easily traced; and we therefore find the line of separation variously drawn according to differing estimations of what is and what is not actually useful and necessary. Yet whatever difference of opinion may exist as to many occupiers of the doubtful ground between utility and luxury, none will deny that a society wholly composed of those who perform none of the active la-

bours of life could not long exist, but must fall to decay and ruin. All depends upon proportion. Man with his manifold powers, tastes, passions, and feelings, needs to have his mind as much tended and cared for as his body. Both have their ailments to be cured — their wants of food, clothing, and shelter to be provided for. A certain amount of relaxation from continual toil of body and mind is as needful to keep the working man in full health as is sleep to refresh his wearied frame and fit it for renewed exertion. Upon the development and improvement of the whole of his mental powers—the imaginative as well as the reasoning — depends all that elevates him above the mere brute in the scale of existence. Again it will be admitted that the professions which restrain crime and defend life and property are not useless incumbrances upon society, but contain labourers in every way worthy of their hire. Without some assurance that the husbandman will be allowed to gather the crop that he has sown, the land will be left to remain untilled. If the farmer and herdsman have whilst at work to defend themselves from attack, they must plough and tend their flocks loaded with weapons of war, and be frequently disturbed by real or false alarms. The first great benefit conferred by society is security for life and property, and no part of the division of labour is more useful than the employment of separate classes to protect the industrious from violence and injury, and to enable them to work secure from the evildoer at home or the invader from abroad. Sufficient payment to the government which provides for the peace, order, and safety of the country, will not be called unproductive expenditure if the necessity of this outlay for the very existence of national industry and wealth is carefully examined. It would be time wasted to show the obvious utility of the professions caring for the religion, morality, health, and education of society.

As soon as a sufficient supply of nourishment, &c., from day to day, is safely provided, various other wants and desires are developed in every rational human being; and the procuring of the means to satisfy these is the stimulus to further labour, without which man would soon sink into the condition

of the ruminant animal, which spends its life in chewing the cud as soon as the daily meal has been gathered. The principle of the division of labour applies again here. Even supposing each man had all gifts and knowledge, and needed not to be furnished by others with many means of enjoyment and improvement which nature has not given him the powers himself to provide, life would be too short for him to command the minutest portion of the manifold advantages which the co-operation of his fellow men affords for his instruction, protection, and amusement, although every hour of his days might be devoted to himself alone. Those classes which have been often called unproductive are in their proper degree as needful to healthy society as the labourers; and the funds required for their support may, in the proper proportion, be considered as indirectly increasing rather than diminishing the riches of the country. All, as we have before said, depends upon this proportion. If we do not admit what supplies the wants of taste and luxury to be one class of the products of industry, our manufactures would be deprived of nearly all their excellence; for all ornamentation would be as superfluous when applied to dress, furniture, &c., as when claiming a separate existence merely as a work of art. But neither of the two is in its proper degree and place superfluous, but, on the contrary, highly useful. Our argument would be more clearly illustrated by examining in detail what are erroneously termed these unproductive classes, each of which presents many differences in the grounds and scope of its utility. But this would here occupy too much space, and the subject will again be considered in the review of society as existing in our times of the most refined civilisation.

Our readers must not suppose that excessive luxury, like devastating wars or excessive government expenditure, would not impair the wealth of any nation. Extravagance of any kind in the outlay on professional classes in amusements, dress, or delicate living, would, if carried far enough, bring any country to poverty — just as we frequently see individuals ruined by living beyond their means. History informs us of this fate having overtaken nations once powerful and prosper-

ous; but the same ruin would result from an excess of production of even the most valuable and necessary things, if carried far enough. A community seized with the mania of making ploughs and nothing else would perish for lack of food unless externally supplied, when each man had left his farm and turned plough-maker. Nor would the superabundance of ploughs supply them with the means of purchasing necessaries beyond a certain point. When the wants of their customers for ploughs were supplied, the remaining stock would be unsaleable; and another nation might, by selling pictures, statues, books, ornaments, &c., far more readily procure food, clothing, and other needful things, than those who had merely ploughs to offer which nobody wanted. It may be said that this extreme case is never reached; but when supply and demand, and excess of production come to be considered, it will appear that even the most necessary and useful things may often for a time find no buyer disposed to give anything for them. All depends in luxury, as in food, clothes, &c., on the quantity and proportion required by the wants of the nation at any given time, and no more than that quantity, being produced. It is true that the danger and temptation to excess are far greater in the case of thoughtless luxury and expenditure than in the thoughtless production of necessaries. In seeking for the true cause and the remedy for this evil, we shall find that it is with nations as with individuals. The luxury of the savage is barely an article of common necessity in more civilised life. What is only proper expenditure in one position of life, or in one country, would be ruinous extravagance in another. All, as we have said, depends upon the proportion; and it is well to bear in mind that Franklin's famous apologue applies in many cases. It may be as ruinous a folly to pay too dearly for our coat or our loaf as for our whistle.

We now proceed to attempt to fill up in detail the outline thus hastily sketched. Our readers will bear in mind that, in treating of a whole, all the parts of which are connected together, the starting point, wherever taken, is not the commencement of a line, but merely some point chosen in the ring or

circumference of a circle. We cannot avoid, begin where we will, some use of terms and mention of things more fully to be explained in some future section or chapter. The only remedy is for the reader to pause when wanting explanation or illustration, and, by reference to the index, turn to the place where the subject is more fully treated of; or to make a note of any matter to be reconsidered on second perusal, after all the work has been gone through.

PART II.

ON PROPERTY AND LABOUR APPLIED IN PRODUCTION

SECTION I.

LAND, CAPITAL, AND PROPERTY

CHAPTER I.

SURFACE LAND, MINES, AND BUILDING LAND

We have traced the course of land becoming a separate property from the earliest times, when all things were unclaimed, and men everywhere chose their abodes as discoverers now do in a new country—invited by abundance of game, fertility of soil, and the course of pleasant waters. This appropriation of the land first appears in the division of the hunting grounds of different tribes or nations. Next come the owners of flocks and herds, with a wandering occupation of hill and valley for pasture, as long as they afford sufficient food and water. As society advances, the permanent settlement upon chosen spots succeeds, and farms are occupied for tillage and rearing cattle.

We have also noticed how, from the earliest dawn of history down to our days, men began and have continued to seize the property of their neighbours by force and fraud, and the right of the strongest has been in many cases the rule of possession.

This is an important feature in the history of property in land,—perhaps the earliest and most fertile source of war.

The conqueror took by force the land of those he overcame, and few countries have escaped the consequences of this change of ownership. It would be far beyond our limits, and partly foreign to the main objects of our enquiry, to trace the various effects of these conquests upon the property in land amongst many of the principal nations of the civilised world. But some allusion to them in our own country is absolutely needful to render any remarks upon the holding of land at all clear. Yet even here, so copious is this interesting subject, that we can only present a very meagre outline where every detail is of the greatest value, and must content ourselves with strongly recommending our readers to study the history of England carefully, with special reference to this matter.

As far as we can follow back the first authentic records of our own country, we find that a succession of invasions has, again and again, so far changed the ownership and customs of the land, that when we examine what exists in our days, the effects of the last conquest appear to have fixed the principal features of the present state of things, and the traces of each previous occupation are seen deeper beneath the surface, — principally as modifying this paramount influence. These traces grow fainter as we go farther backwards; and when we inquire what England was before the invasion of the Romans, all that now remains from the far past throws but a very feeble and uncertain light upon our search. It may truly be said that there are few great nations about whose history we know less, before the date of the Christian era, than we do of our own. Long as our Roman conquerors occupied the soil, the traces they left upon our institutions were buried beneath the flood of invaders from the north and east of Europe, with whom first appeared most of the national features peculiar to our countrymen. The Anglo-Saxon race gave us the roots of our language and a name to our land; and the very idea of a foreign invader is lost in the national term of Englishman. Great as were the efforts of the Norman Conqueror to impose his country's laws and tongue upon England, his success was only partial. How our language was preserved, enriched, but not subdued, by the attempted

slavery,—how the firmly based system of Saxon laws and Saxon institutions in like manner survived, and preserved to us the essential principles of freedom, we cannot here pause to trace, inviting though the subject is to every thinking Englishman. We must revert to the effect of this Norman invasion upon the holding of land — the present object of our inquiry.

The country experienced what has been above described as the fortune of war — all the land became the property of the conqueror. By him the larger portion was granted to his followers, who in many cases permitted the original owners to retain occupation of the soil under conditions which we will briefly notice. The land was held under what is termed the feudal tenure. The King, as owner of all, granted large tracts of country to his followers, and retained much in his own power. In the land so retained, as well as in the portion given to his barons, the original owners of the soil often remained as tenants, preserving only a small portion of their rights. The sovereignty of all the land remained in the king; and certain powers were retained by the Crown even over the land so granted to the barons. The feudal tenure derives all title from the king or chief, who gives land as he sees fit to his followers and dependants (reserving his royal rights) on the condition of certain services to be performed by them. His followers, again, in like manner, often granted the occupation of the land thus given by the Crown to others holding under them, from whom they in like manner claimed certain services, and still reserving to themselves certain rights and powers over the land so granted. We cannot here trace all the various local tenures and exceptions to this general rule, which sometimes prove how the strong Saxon element survived the sweeping flood of invading tyranny, and reared upwards some custom of right, like a rock lifting its head when the devastating waters have receded a little.* Passing,

* We are aware that Selden denies all existence of allodial land in England, asserting that all rights of every kind passed by conquest from the people to the first of our Norman kings. Instances, however, yet remain of what the Saxons called Folkland and Bokeland, over which neither the Crown nor any of the Norman barons ever exercised

therefore, to the main features in the ownership of land thus created bearing on the subject matter of this chapter, we here trace two proprietors of the same property — the lord of the soil, or lord of the manor, as the chief is termed, and the owner of the land, subject to the rights and powers reserved to the lord. In the land which the lord of the manor retained in his own hands the two are of course united, and purchase or agreement has in many other cases abolished these reserved manorial rights. But where landed estate is held under a lord, or forms part of a manor remaining in the hands of the Crown, all minerals beneath the surface, the wild animals or game on the land, and fish in the waters, belong to the lord of the manor; and the right to treasure-trove and mines royal — meaning all gold and silver, wherever found — and certain rights on the sea-shore, belong to the Crown. We cannot here further pursue the curious subject of manorial rights and various holdings or tenures, as they are called. Enough has been said to mark some prominent features of this state of things sufficiently for our present purpose. When the owner of land and buildings lets or hires them to a tenant he is the landlord, and the hire he receives is termed rent. The party who hires or takes from the lord of the soil his rights, or a portion of them, is also called his tenant; but the hire he pays to his lord is termed royalty. These relations will be more fully discussed in the two following chapters.

Of late years the employment of machinery and of steam power in farming operations has done much to bring them within the range of manufactures, and the productive powers of the soil have in our country been wonderfully increased by scientific research, good farming, and more liberal outlay in

any manorial rights. The assumption that all these rights are yet in the Crown, except where grants can be clearly proved, and that such rights are never lost by lapse of time, but may always be reclaimed, has led in some cases to acts of oppressive injustice, and been sometimes asserted in a manner unworthy of our times. It would be well if the Crown and Legislature finally settled this matter in a spirit of becoming liberality.

the cultivation of the land. This improved state of things dates from the abolition of the Corn Laws *, which so long prevented the free import of grain. This abolition has proved, as all people who knew anything of the matter had long foretold, alike advantageous to the owners and occupiers of land, and to all other classes of the community. Farming has since been more steadily profitable, and all the worst evils of recurring famine prices for food have been avoided. These results being now accepted as fully established by experience, we are spared the necessity of here proving that all restrictions on the supply and sale of food inflict immense injury on all classes, including the cultivators of the soil, for whose supposed protection they were imposed.

Our brief sketch of the tenure of land will have prepared our readers to find that the mines and quarries for raising all minerals beneath the surface are generally worked by wholly different parties from those who cultivate the soil. We are all familiar with the immense wealth derived by our country from these mineral products, especially from iron and coal. These riches far exceed all that has ever been derived by any country at any time from mines of gold and silver.

In treating of commerce, we shall see why the Dutch and English reaped far more wealth than the Spaniards from the rich silver mines of South America, which at the time of their discovery Spain fondly hoped would make her mistress of the world. In like manner the valuable mines of Siberia have not permanently enriched Russia. In a future chapter will be shown why these countries became merely the conduits to more prosperous lands of the precious metals which they could not retain. America has profited by the Californian gold fields,

* As the Corn Laws no longer exist, it has been thought unnecessary exactly to describe the various changes in them during the period when they were in force. Generally, they prohibited the import of foreign corn until prices at home reached a certain point; and for a time this prohibition was made by what was called the sliding scale, which fixed the duties on foreign corn lighter as corn at home grew dearer, and made them heavier when the prices, as computed by the weekly averages of certain corn markets, declined. Below a certain point the duties increased to complete prohibition.

as England has by those of Australia, New Zealand, and Columbia, mainly as they have given an impetus to and supplied capital for the agriculture and trade of new countries.

But there always has been, and is, a magic lure in the words 'gold' and 'silver.' The idea is deeply rooted in the human mind that he who amasses these precious metals grows rich — too often in neglect of the cost at which they are procured. To this must be attributed the large losses made by our men of business, who should have known better, in Mexican and other foreign mines, as well as the successive abortive attempts to raise gold in paying quantities at home.

Some particular features of difference between the general customs regulating the payments of the tenants, labourers, &c., in mining and farming, will be considered in the two next chapters and in the last section of this part. These differences will there be traced to the different natures of the employments of mining and agriculture.

It was long a pet theory of some writers on this subject that the land was the only or chief source of wealth, and that the commerce of the country was merely another form of the farmer dealing with the shopkeeper, whereby he supplied his necessary wants, but added nothing to his property; whilst trade wholly found its subsistence and profit in providing necessaries to the tillers of the land, but created nothing. In all cases where the merchandise came from abroad, the payment for it was supposed to be a dead loss, diminishing the wealth which the country derived from the land; and the country was supposed to be enriched by foreign trade only when by sending abroad more than was received in return, the balance due to England was paid in gold and silver. This error in its broadest extent is now wholly exploded. When we come to treat of commerce as a source of national wealth, we shall see what portion of the false reasoning has long been retained in a concealed form. But in speaking of land we could not omit all notice of the notion, once so firmly held, that land was the only fixed source of national revenue and riches. We shall find as we proceed that we have laid our foundation firmly in pointing to labour as the source of all

property and wealth, and that the nation is as much enriched by all labour usefully employed as by that directly expended in cultivating the soil.

We cannot here omit all mention of the cumbrous deeds and heavy law charges required for the transfer of land in our country. Few will dispute the truth of the assertion that it is of much importance to the national prosperity that the buying and selling of land should be as cheap and easy as possible. The expense and intricacy of what the lawyers call conveyancing and making out titles to estates are caused partly by the feudal tenures just mentioned, dating from the Norman conquest, and partly by the various ways in which land has been dealt with as family property for many generations past. We hope in our days to see much done to make the transfer of landed property more cheap and easy; but so much of the cost of titles arises from the causes just mentioned as peculiarly affecting landed estates, that we hardly share the hope many profess of seeing an acre of land bought and sold with no more form or expense than a horse or a sheep. How early extreme precision was found needful in conveyancing, may be seen from the interesting record in the Bible history of the first sale of land of which we have any knowledge. 'Ephron the son of Zohar made sure unto Abraham for a possession his field which was in Machpelah, which was before Mamre, the field and the cave which was therein, and all the trees that were in the field, that were in all the borders round about.' This would be a very sufficient instruction for a deed conveying an estate in the present day.

We need hardly say that the same truths as to national wealth hold good when applied to mineral products as those we have found established in considering the produce of the soil. Mines do not necessarily contribute more to the wealth of the country where they exist, by the metals in the crude state or ores which they produce, than do the manufactures of those metals, even when the ores, &c., are imported from a foreign land. The same rule as that before mentioned applies here: all in the comparison depends on the profitable employment of labour. Many nations send rich ores to be wrought

in England, from working which our country derives tenfold the wealth which their direct produce contributes to their native land. Our home mines enrich our country more than these foreign ones only when, and just in the proportion that, their produce is raised by less capital and labour than are needed to purchase abroad and bring home the foreign ores. Our extensive coal mines, especially those near the rich deposits of iron ore, afford England advantages in this respect unequalled by any foreign country.

The value of land for building purposes, &c., increases with the growth of population in a degree far exceeding the most extreme profit derived from tillage. In cities and towns, especially as they rise in importance, situation gives particular spots of land immense advantages. These favoured sites soon become too narrow for the increasing demand for them. Prices and rents of land and buildings therefore rise rapidly, and as the population and traffic increase, the area of what we may call this artificial value extends in the same degree. Some farther remarks on this enhanced price of building land and buildings will be found in the pages treating of cities and towns.

CHAPTER II.

LORD OF THE MANOR, LANDLORD AND TENANT

Our last chapter traced, as far as our limits permit, the origin of the division of property in landed estate between the owner of the land and the chief or lord of the manor. We now proceed to consider the relations between these classes and their tenants. It would pass the limits of this treatise to examine these relations in the Saxon and Norman times; especially as little assistance would thence be derived for the consideration of their position in the present day. The hire of the land is not now as formerly paid in military service at call of the chief, in the tenant's labour for the landlord, or in a

portion of the produce rendered to him in kind, but in a money payment, or rent, specially noticed in the following chapter.

In all regarding the cultivation of the soil, the owner of the land or landlord is the party contracting with the tenant. The rights of the lord of the manor, viz. the game on the land and the minerals beneath the surface, are almost always reserved or excepted in the lease or agreement between landlord and tenant, whether the lord of the soil or a landlord owning part of the manor lets the land to the farmer. Some provision is usually made in the lease for compensation to the tenant for damage caused to his crops or the soil by wild animals or hunters and sportsmen in their pursuit, or by mining operations. But the recovery of the loss caused by game and its pursuers is sometimes very inadequate, and in many cases this loss is borne wholly by the tenant. This claims some mention here as having not unfrequently been a serious hindrance to good and prosperous farming in our country; and in some foreign lands the mischief extends to such a degree as wholly to prevent any proper cultivation of the soil. In this as well as in other matters it may be hoped that the feeling and practice of our times is increasingly in favour of doing justice to the tenant. In many cases where large estates have been long in the same family no leases or agreements between landlord and tenant exist. The same families of tenants often succeed the son to his father on the same farms, with no more thought of change of the tenant than of the owner. In these cases certain customary regulations between the landlord and the tenantry on his estates are generally as well understood and observed as if they were covenants of a lease. It is unquestionably pleasant to see this mutual confidence between landlord and tenant; but this state of things is unfavourable to the spirit of improvement which, since the repeal of the Corn Laws, has so considerably advanced the culture of the land. It is not now sufficient for the tenant to go on in a routine as did his father before him. Under the improved system of farming a liberal and judicious expenditure of capital is needed; and the bargain with the landlord, instead of being merely from year to year, should be for such a term as will enable an exact

calculation to be made by the tenant of his return for this outlay. The tenant who has no lease to show this agreement, but depends upon his good understanding with his landlord to deal fairly with him year by year, however complete his trust in this understanding may be, has not the needful, defined, certain basis to rely upon; and is obviously placed at a disadvantage if he has to borrow any portion of the money so laid out.

On somewhat similar grounds stringent clauses and prohibitions in leases are generally objectionable, as often cramping the enterprise of the tenant, alike profitable to himself and his landlord, rather than affording the latter any serviceable protection. It is indeed now generally understood to be the landlord's interest to deal liberally with a good tenant who has the skill and capital required to do justice to himself and to the land; and in these days, when the farmer has to meet in the market the produce of all countries, he needs every resource of science, capital, machinery, and thorough knowledge of husbandry to compete with fertile lands and genial climates. How successfully this may be done is fully proved by the increasing prosperity of all the landed interests since the policy of protection has been abandoned.

Since this improved system of farming has rendered large outlay necessary to enable the tenant to make any profit, the question of the adjustment of this outlay between an outgoing and an incoming tenant has acquired increased importance. Formerly all this was regulated by well understood customs as to payment for standing crops, stocks of manure, &c.; but now, when by deep draining, improving and reclaiming land, and many other operations, the value of the farm is permanently increased by this outlay of the tenant, some further arrangement is requisite. As it is the landlord's interest to encourage as far as possible this improvement of his property, a fair repayment to the tenant leaving a farm should, in these cases, be secured by the lease; and the proper proportions of this outlay to be recovered from the landlord or the incoming tenant be clearly defined. So necessary is this held to be,

that in Ireland, where so much land is occupied at will of the landlord without any lease, and the tenant may at any time have the customary notice to leave, a forcible appeal has been made to Parliament to secure by law adequate compensation to the outgoing tenant. But so much difference exists in all the conditions of almost every separate case, that it will be difficult, if not impossible, properly to define and secure this *tenant right*, as it is termed. The subject, indeed, is one of those cases of dealing between man and man which can hardly well be made the matter of precise legislation, and where Government can seldom interfere for good. But this objection does not apply to some recent measures from which the best results have arisen, and may be further expected, in the improvement of agriculture. The acts for the culture of waste lands, and empowering the loan of public money, under proper regulations, for draining and reclaiming land, to be repaid by instalments; and for the systematic draining of whole districts, where the country is such that without this co-operation many farms could never be drained at all, are in the true spirit of enlightened legislation.

The size of farms is undergoing the change required by the improvements of the day. Generally, as in manufactures, the tendency is to large holdings, where capital can be extensively and systematically employed. But the travelling steam engine or machine, visiting farm after farm, places many of these resources at the command of the smaller farmer, and in many cases increased vigour and concentration of his own personal help and superintendence, on a more confined area, enable him to hold his ground. It will be found that the size of farms, as well as the proportions between arable and grazing land, will be differently regulated by the wants of different districts.

The necessary outlay to import the corn required by our immense population in years of a deficient harvest exercises, for reasons which will hereafter be fully noticed, a most important influence on the trade of the country for the time being. It is therefore very needful that the most accurate information of the probable yield of the wheat crop should be obtained as

early in the year as possible, to provide in time the payment for the necessary supplies, and prevent the almost ruinous loss of importing a large surplus beyond our wants. The attention of government has therefore been called to the regular collection of agricultural statistics that may be relied upon, and which, besides this great necessity for them, are valuable and useful in many respects, that will readily occur to the reader, but need not here be further detailed.

In Ireland, accounts of the land under different crops of every kind, the number of cattle, horses, &c., have for some years been collected with much accuracy throughout the country by the police, who are a very intelligent and superior body of men. But the extension of this system to England has so far been successfully resisted. The jealousy of the cultivators of the soil has been alarmed by what they termed a design of prying into their private concerns. Tenants have feared the returns collected might in some way or other be used to furnish grounds for raising their rents; and both they and the landlords have fancied the information might lead to the imposition of fresh taxes, or tend to lower the price of grain. It is to be hoped that as this subject is further discussed more intelligent ideas will prevail. All these fears seem unreasonable — especially that of reduction of prices. The main benefit of accurate knowledge would be the prevention of excessive imports of corn from ignorance of what is actually in the country, or what the real deficiency in the home supplies will in the end prove to be. These excessive imports must be paid for, often by deranging the course of trade; and when once here must be sold, even though at a loss, thus bringing down the prices of home grown wheat.

The tenant of mines, fisheries, &c., from the lord of the manor differs in some essential features of his position from the tenant farmer or occupier of the soil. There is much risk and uncertainty in the search for minerals, and the produce of the waters in some cases varies much in different years. It is generally impossible to calculate beforehand the outlay or the return. Hence the undertaking is more or less of an adventure, in which large profits may be made or heavy losses encountered.

Therefore, the royalty is generally, especially in the case of mines, &c., regulated on the principle of a percentage on the produce, and a sufficient length of lease given to allow the tenant every chance of recovering his first outlay.

Considerations on rents, royalties, &c., and on the effects of different customs as to succession to landed property, will be found in the following chapters.

CHAPTER III.

RENTS, ROYALTIES, TITHES, TOLLS, ETC.

THE distinction between the payment to the landlord for the use of the surface of the soil and buildings thereon, such payment being called Rent, and that to the lord of the manor, for minerals beneath the surface, which is termed Royalty, having been explained, we proceed further to consider these payments, and some other charges on land.

By many writers on political economy, the word Rent has been employed in a much more restricted sense, being defined to mean the payment for the hire of the natural and inherent powers of the soil. This restriction, and the confusion of ideas which it has sometimes occasioned, demand some attention. It has been argued by many writers that, whereas different portions of the soil are of various degrees of fertility, say producing wheat to an acre of land, as 4, 6, 8, &c., whenever the price of wheat enabled the farmer to till the least fertile soil, say No. 4, leaving a fair profit, the tenant of No. 6 would pay a rent which would leave him about the same proportion of profit, and so on for No. 8. Hence it was supposed that the least fertile soil in cultivation paid no rent, and the richer lands paid rent in proportion to their fertility — the best, of course, yielding the most. In proof of this, it was argued that there is always abundance of barren and waste land to come into cultivation whenever the price of wheat is such that the tillage will pay. This barren land

being at the bottom of the scale, can pay no rent. If prices fall, this land — say No. 4 will go out of cultivation as soon as the profit to be derived from it vanishes; and the next above in the scale of fertility, or No. 6, would no longer be able to pay rent and leave a profit, whilst No. 8 would now be only able to pay the rent once paid by No. 6. If, on the other hand, prices rise so as to leave the land yielding No. 4 more than an average rate of profit, a still poorer soil, say yielding No. 2, would come into cultivation; No. 4 would now pay the lowest rent; No. 6 would pay the rent before paid by No. 8, whilst the rent of No. 8 would be advanced a degree, and so on.

This definition of Rent (applying the term only to a portion of the payment for hire of a farm, instead of to the whole of such payment in the general use of the word) was necessary whilst the Corn Laws were in force, especially in the time of what was called the sliding scale, when the price of wheat regulated the admission of grain from abroad; for it was then needful to show clearly how the exclusion of foreign land from competition operated upon the extent of cultivation at home; and the corn rent then practically fixed the hire of the farm. But now, when free trade has steadied prices, and it is found how many kinds of land not fit for wheat can be profitably used for grazing or other crops, the distinction is liable to the objections noticed in our preface against some doctrines which have caused obscurity and error. If the meaning of the word Rent be thus restricted, it is clear that the greater part of the total included in the payment to the landlord for the hire of the farm must be called by some other name, or an open door is left to much confusion of ideas. It would be very hard to fix any precise sum out of the rent of a farm as being the payment for the actual and inherent powers of the soil. Situation, with reference to roads, markets, &c., state of cultivation, farm-buildings, and many other conditions, go to determine the rental of a farm, and form a portion of the rent paid. Again, by good culture, barren land becomes fertile; what cannot produce grain is available for pasture or green crops; and it can hardly be said that any land worth cultivating at

all is so sterile as to be permanently unable to pay any rent. The unclaimed fertile soils, which, were they at our own door, could afford to sell their produce at a price that would leave no power in our farmers to compete with them, or to pay any rent, are in foreign lands; and before their produce can reach our markets it must pay heavy charges of many kinds, from which the crops grown in our own country are free. Many of the foreign farmers of these lands have to purchase clothing, implements of husbandry, &c., imported for their use, often from England, and of course at higher prices than are paid for the same things by the farmers at home. Their crops must bear freight and charges to bring them to our markets and to sell them here. Farm labour is much dearer in newly-settled countries than in England; so that, taking all these things together, when the wheats of the English and foreign farmer are sold in the same market, the charges on the foreign fully balance the rent, &c., paid by the English.

It would take up too much space here to show the limited state of things in which this objectionable definition of Rent might properly be used with clearness and accuracy. Enough has been said to mark the reasons why it does not apply to the actual condition of English farming. Therefore, we use the word Rent in the sense generally understood as being the whole payment from the tenant to the landlord for hire of the farm. Of course, a portion of this rent is for the use of the soil, regulated by its fertility and state of cultivation. Another portion is for the farm buildings, fences, drainage, &c., and other useful outlay of capital on the farm. Any advantage of situation the farm may possess, as to access to roads, canals, railways, nearness to good markets, &c., will also form an item. In what proportions the total rent is divided into these heads can only be vaguely computed by estimates varying in each case.

The general tendency of rents all the country over is to an equal rate, allowing the farmer, when all allowances are fairly made for each particular case, about the same profit from farming as is yielded by other employments requiring skill and capital. But in practice this equality is often disturbed by

the number of tenants anxious to take farms far exceeding the number of farms vacant, and by many other circumstances affecting particular districts. Therefore, much inequality often prevails in the rates at which farms are leased. But these variations are limited, and in some degree controlled by the general tendency to equality just mentioned. This limit, however, is of very uncertain and irregular application. It would appear that if the tenant is unable to make an average profit, and cannot get his rent reduced, he will not renew his lease of the farm. But he seldom leaves his holding unless he is wholly unable to live upon it. So much of his outlay is locked up in the land and attached to it, that in many cases removal is a heavy loss which he cannot summon resolution to face, but toils on hoping for better times. It often, on the other hand, happens that the farms on many properties are let at rents below their value. The owner of the soil is content for year after year, with the same fixed rental, leaving the whole profit of the improved value of the farm with the tenant. Again, where the bad system is pursued of letting vacant farms to the best bidder, there is in many neighbourhoods such a competition for farms that rents are offered beyond what a tenant can fairly pay, doing justice to himself and to the land. Both extremes are in the long run injurious. It is now pretty generally understood and acted upon by intelligent landlords and tenants, that the rent which will allow a fair return to a good occupier is best for both parties.

As the earliest form of sale and purchase has been found to be barter or exchange in kind — giving one thing for another — so the first appearance of rent is a payment in kind of a portion of the crop to the owner of the soil for the hire of his land; or sometimes certain work or labour was performed by the tenant for his landlord. Both these systems have now long been abolished in England, but they still subsist in some other countries. Amongst us rent now universally appears as a fixed money payment by the tenant to the landlord at certain times of the year.

The effect of the uncertainty of the returns from mines, &c., upon the agreement between the tenant and lord of the

manor was noticed in the last chapter. The royalty paid is generally a portion of the produce, say one-tenth or one-twentieth, &c., and the lord, like his tenant, depends for his returns from the property upon the success of the workings. As in nearly all mining operations heavy outlay has to be made in the first years, with little or no produce in return, the leases are generally for a long term of years to enable the tenant to enjoy adequate profit from his expenditure. Though, taking the good with the bad, the average profit upon mines is probably about equal to the profit from tillage of the surface soil, yet this profit is very unequally divided between the different adventurers. Those who are fortunate in getting hold of good mines rapidly accumulate wealth, whilst the unlucky workers of unproductive mineral property often lose all their outlay.

Tithe is of very ancient origin; and the proportion of the produce of the soil paid to the priesthood remains the same from the earliest days of which we have any record. The payment in kind of a tenth of the grain crops by leaving every tenth sheath in the field for the tithe-collector to take as his share of the harvest, continued general in England almost to the present day. But by a recent statute this has been in almost every case compounded for a yearly payment of a fixed sum according to the price of wheat, or by an amount regulated by agreement.

The history of the land tax is curious in an antiquarian point of view, but is far beyond the limits of this treatise. It was originally the contribution from the owner of the land towards the cost of national defence — at that time of course much exceeding the present amount in proportion to the remaining imposts then paid. Dating from the Saxon times it was abolished soon after the Norman Conquest, when the feudal system substituted personal service for money payment as the contribution of the land to the military expenses of the country; but was reimposed when the Revolution rendered extraordinary contributions necessary to defray the cost of the civil war, and has since remained as an impost on the land. The yearly charge has in many cases been commuted

into a fixed sum to free the land by one payment under an Act of Parliament passed for that purpose; but by no means so generally as the conversion of tithes. This tax at the present day is not very onerous in amount.

This could not lately be said of the rates for the maintenance of the poor, repair of roads, &c., and county expenses. These, especially the poor-rates, have frequently been very heavy in some districts. In fact, under the old artificial system of protection, the poor-rates especially increased to such a degree that in some poor parishes the farmers could not bear them, and pauperism may fairly be said to have swallowed up the land. But it is now some time since improved administration of the poor-laws and the increasing prosperity of the country have destroyed the worst features of this evil. Further measures for equalising the burthen of the support of the poor over the whole country are now under discussion. A special chapter will consider this important subject.

The system of providing for the repairs of roads is far from uniform. In some cases the roads are repaired at the expense of the parish, and highway rates are raised to pay the cost. In other cases the roads are made under Acts of Parliament, which empower tolls to be levied on all using the roads to repay the outlay and keep them in repair. Here also much has lately been done to reduce all to one regular system, and lessen and equalise the burthen of rates and tolls; and more will probably, ere long, be effected in the same direction. The immense change in local traffic, caused by railways, renders this re-adjustment absolutely needful.

The advocates of the erroneous theory, before noticed, that the land is the source of all real wealth, asserted also that the land, directly or indirectly, bore the weight of all taxation. But since the days when the question of protection was finally settled in favour of free trade, we hear less of the burthens on the land being so heavy that the farmers of England must of necessity be undersold and ruined in the competition with foreign soils, free from this weight of taxation. In considering Rent, some notice was taken of compensating disadvantages suffered by the foreign farmer in this competition. When the

balance comes to be fairly adjusted, it will be found that, even supposing these charges on the English farmer find no corresponding tax on his foreign competitor, still there are drawbacks and expenses weighing on the farmer abroad, before his farm produce is sold in an English market, which fully restore the balance — leaving even some advantage in the comparison on the side of the corngrower at home. But for many of these payments there is an equivalent advantage. A portion of the rent represents, as we have seen, capital expended in farm buildings and other improvements, and conveniences on the land — the tolls and rates give the use of good roads; whilst the foreign farmer must often provide himself, at considerable outlay, with his necessary buildings, and the want of good roads, which he cannot procure by any tolls, is frequently a cause of heavy and continual loss and expense.

In the further course of our inquiry we shall see how the burthen of taxation is really distributed over the community.

CHAPTER IV.

LANDED SUCCESSION, PRIMOGENITURE, AND DIVISION OF PROPERTY

SOME of the effects of the laws of succession to landed property are in many ways so important in their bearings upon the social welfare of the community as to demand separate consideration.

Our limits, however, will only permit a notice of the most marked features of difference in this succession; which generally lie between the law of primogeniture, whereby the eldest son inherits the landed estates of his father, and the division of the land amongst all his children at the death of the parent.

The two sides of the channel exhibit prominent examples of each mode of inheritance. In England, the eldest son almost invariably succeeds to the whole landed estate; in France, the

division amongst all the children prevails to a great extent. At a first glance it may appear that the distinction between children of the same family, made by the accident of birth, is unfair, and that the equal division of the property is more agreeable to reason and justice. And it cannot be denied that the law of primogeniture may in some cases be productive of family discomfort and individual suffering. But when we come to compare, in their general influence on the welfare of society, these two systems of the descent of property, we shall soon find how many evils flow from the continual division of estates When the principle is fixed that all the younger sons must be beholden to their own enterprise and success to found a fortune, leaving the landed property to the eldest as heir, they will mostly from childhood be educated for some profession or calling, and all their energies are early called into play and fully developed. It would be hard to tell how much of her greatness and prosperity at home and abroad England owes to the younger sons who have won wealth and fame for their country and themselves, but who, had they inherited a share of their father's land, would have been content to live quietly as they best could on their inheritance. The tendency to vegetate, if we may so speak, upon the soil, and the closeness of home habits and family ties, are so strong in their influences that, where no powerful motive rouses the dormant faculties, it will often happen that many men, even of strong character, sink in these circumstances into comparative inaction, who are capable of going far when once fairly started. Thus the continual subdivision of the land has a strong tendency to check enterprise, and bring each following generation lower and lower in the social scale. If a man of activity and determined character would resist this downward course, he can only do so by purchasing the neighbouring holdings of those who have become unable to exist on the small portions of land allotted to them by inheritance. But this process of again building up a sufficient estate seldom answers. It has frequently to be done with borrowed money, and, where land is the main reliance for subsistence, its price is artificially raised; so that the man who has succeeded in getting hold by purchase of land sufficient to

afford him a comfortable subsistence, generally toils wearily all his life long under the burthen he has contracted, worn down by efforts to raise the means of repayment of his debt, and often sinking in the struggle. In communities of small holders of land, education and intelligence are mostly at a low ebb, and society gradually declines. We estimate highly the character contributed to the whole people by the class of tillers of the soil. But they must be kept alive and stimulated by the mixture with other classes. And this is done in the best manner, securing the family connection with other professions and callings by, as it were, continually sending out the younger sons from the agricultural colony into the bustling world. The whole tone of family education and intelligence is thus raised with the happiest effects.

Our sister country, Ireland, but lately afforded a mournful picture of the last stage of the evils of small holdings and encumbered estates. Her swarming population of cottier tenantry, multiplying and starving on the land, were not poorer than small landed proprietors would, in the end, become with an unchecked division at each succession to the properties. We can now with pleasure hold up this sad example as a warning, for happily its worst evils have long passed away, and Ireland is rapidly becoming rich and prosperous. In a sore time of famine some years back, from failure of the potato crop, began that wonderful emigration of the poorer people which has continued up to our days, when it is happily checked by their having no inducement to seek foreign lands, now finding they can live comfortably in their own. This blessed change has mainly been produced by the operation of an Act for selling encumbered estates (presently to be further noticed), which improved and enlarged the scale of agriculture, and set capital free to be employed on the land and in the country—thus converting the half-starved cottier tenants into prosperous labourers, living comfortably on their wages.

On the other hand, great mischiefs often follow from the system of entail, whereby the estate is so settled that each successive owner has merely a life interest in the property. In most cases land so held is unimproved. The owner is

merely a tenant for life; and where the heir in tail, as he is termed, is a minor,—seeing that the death of the owner in possession may happen any day, when the property passes to the heir on whom it is entailed,—the difficulty of all arrangements for judicious outlay on the land, with any certain repayment, are very great. Unless the next in succession can join in the security, there is no chance of getting any money lent upon the security of the land; and if he lays out his own money, the owner for his own life merely risks its entire loss to his family.

Estates heavily encumbered by mortgage, held in chancery, or by corporations, or public bodies, are often, for similar reasons, unimproved.* It will be remembered that in Ireland the heavy mortgage debts upon the land threatened to bring the whole country to beggary, until the passing of the Encumbered Estates Act provided for the sale of such properties,—giving an unimpeachable title to the purchasers, and undertaking, by commissioners, the division of the proceeds of the sales amongst the parties having claims on the estates. This measure, as we have before remarked, has had the most complete success in restoring prosperity to the landed interest, and to the whole Irish nation. The effects have been like raising a dead corpse to be a living body. Improved farming, and rapidly increasing wealth and comfort have succeeded to waste lands and squalid misery all over the country, as the rich soil passed from the poverty-stricken owners into the hands of purchasers able to do justice to the land. So well, indeed, has this measure worked, that we trust that these pages will not long have passed the press before its benefits will be extended to England.† It would have reached us ere this had the pressing necessity for some such remedy been as great here as in Ireland. But though not so urgently indispensable amongst us, it would, nevertheless, be a great boon to this country.

* Honourable mention should here be made as an exception of many estates owned by Companies of Freemen and public bodies in London, which, especially in Ireland, are well and liberally managed.

† In mentioning this statesmanlike measure, which has been the salvation of Ireland, due honour must be given to its author, Sir John Romilly, the worthy son of an illustrious sire.

CHAPTER V.

ON CAPITAL, MONEY LENDING, AND INVESTMENT

Our introduction marked the origin of capital in storing up the accumulated produce of labour; and we there noticed some of the consequent effects upon society from the difference which the possession of more or less property creates between different classes. Pursuing the same subject further, we now come to consider the employment of capital in the present day; the interest or profit which forms the return in revenue for such employment being the subject of the following chapter.

In the earliest and most primitive times, the property of each individual, even when comparatively great, comprises only such things as he can carry about with him. The chief of the savage tribe soon after begins to hoard together various articles which he deems of value. Then, as security in possession becomes comparatively more assured, the riches of a prosperous man are measured by his accumulated stores of food, cattle, arms, clothing, &c. The same manifest convenience which caused the employment of money in sales and purchases, instead of the former clumsy process of barter, also induced the hoarding up capital, or a store of money, in place of a multitude of various articles which before had constituted wealth. The way in which this capital may be increased by continual employment was a discovery naturally soon following its acquisition.

Some men of great energy and activity of character continue, long after having amassed large fortunes, to follow the course of prosperous industry and enterprise by which they became rich. But more generally, when a certain point has been reached in the career of prosperity, the desire arises to enjoy the fruits of labour in security. Thus is created a class of

men well known as capitalists, living upon the revenue of their property or capital, which is employed in various ways by the busy workers in the great hives of industry, who pay for the hire or use of this capital on such terms as may be agreed. By this means the men able to devise and carry out important undertakings for individual or national profit or advantage, are supplied with the means, without which these operations never could have been effected; and the capitalist receives, free from personal toil or anxiety, a portion of the earnings which his money has made. The workings of this important element of national prosperity will further be traced in detail as we proceed; when it will appear that, though in many cases losses and misfortune have resulted from too great facilities of procuring capital for unsound and delusive speculations, yet these instances bear no proportion to the immense benefits which the extension of credit on sounder principles has conferred upon our country.

Early in society the money lenders formed a separate class; and though they were found too useful to be dispensed with, they were long looked upon with much suspicion and dislike. It was presumed that they exacted extravagant payments for the use of their loans, and amassed wealth by oppressing the needy borrowers. Much of this feeling has prevailed even down to our own times; and it was long supposed that the intervention of the law is required to settle the terms on which money should be lent. The next chapter will trace these regulations to their removal in our own country.

The influence which the power wielded by capitalists and money lenders has often enabled them to exercise over the rulers of countries in the decision of war or peace, and the protection or overthrow of rival governments, has in all ages been considerable. For some time back England by this influence has largely controlled the destinies of Europe, and, by closing or opening her purse-strings, has often directed the issues of peace or war. From these loans arose, by degrees, the system of national debts, which have in this century reached a truly wondrous magnitude. The bearings of this

system upon the welfare of our own and foreign lands will be more fitly examined in another place.

As capital rapidly accumulates by the number of parties hoarding their profits or revenues for lucrative investment, it becomes difficult to find employment for it as fast as it increases in prosperous countries. Hence the quantity or amount offered for hire by the lenders soon far exceeds the wants of the borrowers, and by the well-known law of supply and demand the rate of interest gradually declines. Considering the gigantic increase of the capital of England in the last twenty years, it is a wonderful proof of the energy and prosperity of our country that this decline has not long ago reached a very low point amongst us. The downward tendency has been arrested by the rapid growth of many of our colonies opening out vast new fields for the employment of capital, and by the unexampled expansion of our agriculture, manufactures, and commerce since peace and free trade have increasingly prevailed over the world; but from the overflowing supply of money, the rate of interest would nevertheless have rapidly declined, had it not been for our enormous funded debt. Large amounts of Government securities are always on sale, and various kinds of stocks, as they are termed, pass from one hand to another; the income to be derived from which fixes what we may call the *minimum* rate of interest. Yet this low rate, though secure, is not satisfactory to a large portion of capitalists, who are driven by their desire for its increase to seek various apparently more lucrative investments; too often forgetting the golden maxim that high interest and great risk of losing the principal are mostly but the same thing under different names. Unfortunately there always exist too many adventurers skilled in baiting the lure; whether for specious schemes of fabulous profits from sending money to foreign lands, or for various speculations and adventures at home, with equal dreams of wealth — both too often being merely short roads to ruin and beggary. At the present moment they mostly get up companies for every imaginable purpose, in utter defiance of the well-known truth that there are but few businesses or undertakings which can

be profitably carried on by companies with boards of directors, especially when competing with the vigour and skill of individuals, each managing his own business and looking after his own property. Further consideration will be given to this subject in another place; but we may here mention two great evils arising from these unsound undertakings, in addition to the frequent ruin of the unhappy adventurers who are often foolish enough thus to risk and lose the incomes which are their sole means of subsistence.

The getting up of these speculations and companies creates and maintains a class of men as directors, managers, secretaries, &c., who undertake to transact business and direct concerns about which they know nothing — too often being themselves without any stake or interest in the adventure — in fact, mere decoy ducks to catch the unfortunate shareholders who rely upon them, and birds of prey to feed upon them when snared. Again, when these companies enter into business to any extent, they often derange trade, and for a time cause much loss and mischief to the sound trading interests with which they come in contact, from their reckless, unskilled mode of managing their affairs. Two obvious conclusions flow from reflecting on this subject, as rules of conduct so obvious that few will contradict them. Much suffering would be prevented if as few violated them. People depending for their support upon an income should be content with the rate of interest which is positively safe, and not be induced by any lure of profit, or any reliance upon assurances of perfect security, to venture or risk in any way what they cannot afford to lose. And even when the loss of the sum proposed to be invested could be borne without much privation, people who understand nothing of business should not, on any account, be induced to be shareholders in business concerns. They must wholly rely on others, and being unable, from want of knowledge, to act for themselves, are equally helpless whether things go right or wrong; and so far from having any chance of lessening or avoiding loss or misfortune by prudent management, they very rarely know anything is in danger until they open their eyes to find all is lost. It is

needless to say that prudent men of business will always exercise the utmost caution in venturing into concerns wholly out of their knowledge and experience. Before doing so, they will take good care to see well what they are undertaking; and either have sufficient ground for reliance on some skilled party for management, or make up their minds to learn enough to enable them to look after the thing properly themselves. Less caution, of course, is needed where capital is lent; the borrower undertaking all the risk of its employment. Yet even here great care is required to see that any party offering high interest is able to give full and satisfactory security for the loan. Much business is done by capital raised wholly on credit; and to the expansion thus given to all the resources of the country, a great part of the present prosperity of England is owing. But the consideration of this system, with the great evils of its abuse, and the mode of lessening these evils to derive from it the greatest possible advantages, belong to the part of this treatise devoted to banking and money matters.

The early appearance of the Jews as chief money lenders is mentioned in the following chapter, which completes, as far as our limits will allow, the review of this subject.*

CHAPTER VI.

INTEREST, USURY, PROFIT, ETC.

In the early stages of society, as in newly settled countries, mutual dependence on the resources of friends and neighbours is rendered inevitable by the scanty stores of each individual. Each in turn becomes lender or borrower of some useful thing;

* The increase of capital by savings out of profits and income at the present time, has been stated at somewhat over five millions per month in the United Kingdom. This, of course, can be only computed approximately; but the continual advance of the revenue, and of almost every branch of trade, proves these figures to be a moderate estimate.

and no payment or hire is demanded for the loan beyond the general understanding that the borrower, when he has the power, will in his turn lend anything which his neighbour may require.*

But when money comes into use, the wide distinction between this and other articles creates a difference between the loans of money and those of other things which can be lent and borrowed. The lender of capital requires as its hire a portion of the gains which the borrower derives from the loan. Though this claim is founded in reason and equity, yet it has been looked upon as a hardship and injustice from the remotest times almost to the present day. It is only very recently that the law fixing the highest rate of interest which the money-lender could demand has been repealed in England, and some consideration may properly here be given to the propriety and effects of this change.

The causes which produced the early and uniform demand for interest or hire for money lent, in distinction to other articles, for the loan of which, as we have noticed, no hire was demanded, are apparent in the continual productiveness of capital when constantly employed, and the consequent loss of this profit to the lender during the period of the loan. When the borrower only pays a portion of the profit which he is able to realise by means of the sum lent, the transaction is alike profitable to both parties. But it will often happen that he borrows under the pressure of some want or emergency, and is unable to replace by any profit the interest paid by him for the use of the money which he has borrowed. In such cases this payment of interest is a loss, for which he has no other compensation than the advantage which he may indirectly have derived from the loan, in helping him over a time of difficulty or preventing more severe losses. When money-lending became a distinct calling, there naturally ensued the same difference of position between the dealers on both sides—the lenders and borrowers of money—as between the buyers and

* Our readers will remember partial exceptions to this general rule in the Levitical law of the Pentateuch.

sellers of all other commodities. The lender was clearly interested to get the most interest he could for the use of his capital, and the borrower equally so to pay the least rate for which he could procure the loan. Hence the pressure of want or difficulty under which the loan was sought often induced the lender to demand and the borrower to agree to pay interest far exceeding the customary rate. This is generally termed usurious interest, and the exaction of it is known in law as usury.* The thoughtless and improvident, especially the young, have in all times wasted their property, and been continually plunged in debt and difficulty. They have naturally always been, and still are, in consequence, the prey of the money-lenders; and frequently submit to any exaction, however ruinous, to procure a little temporary relief. Whoever has once embarked in such a course rarely, if ever, recovers himself or arrests his downward fall to utter ruin. The money-lender, aware that in lending to such parties he has but a doubtful chance of repayment, will demand such extravagant interest upon each loan that, even if he has many entire losses, he may secure large profits on his whole dealings, taking one transaction with another.

From the earliest times of money-lending, of which we have any account, the securities for loans have been of the same kind, varying but little from those offered at the present day, save as regards the first, which the almost entire abolition of imprisonment for debt has all but wholly removed, viz.:— 1. Personal—where the borrower in default of payment lost his property and liberty, and became the bondsman or slave of his creditor, or was at his option sold into slavery or put in prison till he could pay the amount. 2. Sureties—where other parties became, with their goods and persons, liable for the debt if the borrower was unable to pay. 3. Pledges—where the clothes, cattle, arms, implements, merchandise, &c., of the borrowers were deposited as security for the loan, and were forfeited to the lender if payment was not duly made;

* Though the term is now thus limited in use, originally all money-lenders were called usurers, and the hire of money now called interest, was generally termed usury.

and 4. The land—on which security will be found in history to have been given in every degree, from the single field of the humble farmer to the province or kingdom pledged by the sovereign or rulers of the country, for money advanced in some time of difficulty. The same excess of expenditure over the means of payment which ruins individuals, has often placed Monarchs and Senates in the power of the money-lender. What gambling is to the spendthrift, war is to a nation, and thoughtless profligacy ruins both.

The Jewish laws, as given in the Bible, contain many precise regulations to restrain the cruel and oppressive use of the power of the money-lender over the defaulting debtor.* The protection extended to all the forms of security above noticed. The garment given in pledge by day must be restored for a covering to the poor debtor at night. The personal liberty and landed estate forfeited were restored at a given period, and in the year of Jubilee. We find in the middle and later periods of the Roman history, when luxury had corrupted the manners of the people, that their debts to money-lenders caused at various times large numbers of the middle and upper classes to lose their personal freedom and landed property, and repeatedly led to violent attempts to overthrow the government, in the expectation that all debts would be swept away in the confusion of an upturning of society.

Early in history the Jews appear upon the scene as money lenders. Driven from their own land by the Divine curse, and scattered amongst all nations, yet preserving amongst all a faith and customs which separated them from the people of the land in which they dwelt, they found in individual enterprise the vent for extraordinary activity and mental power which would in happier times have made the most able and ambitious of them rulers over their own countrymen. And these alien wanderers, severed by a wide gulf from the denizens of the land, have been from the period of their disper-

* The analogy between these (allowing for differences of time and climate) and the protection extended to the poor and needy, by our laws regulating the interest to be charged by pawnbrokers and the redemption of pledges, will at once occur to our readers.

sion down to our own times hated and persecuted wherever they sojourned. The bitterness of a national and religious quarrel was thus added to the conflicting interests between the lender and borrower, often causing much oppression and misery. Our immortal Shakespeare has given a vivid picture of the working of these feelings on both sides. In his Merchant of Venice, the Jew and the Christian, the usurer and the borrower, live to all times as they were, and were looked upon in the middle ages of society. Objects of hatred and suspicion, the Jews were repeatedly driven from the country where they had formed a settlement and acquired wealth; or were tortured and slain and their property plundered. In many countries they were, and remain to this day, deprived of the right to own land and of many other of the common rights of men.*

Until very recently our laws contained stringent regulations to prevent more than a certain rate of interest from being exacted by the money-lender. All engagements to pay more than this rate, which was termed the legal rate of interest, were declared void, and the lender demanding usurious interest was in danger of losing the whole debt. These laws against usury were first repealed in all cases except where money was lent on landed security. This last prohibition has now been removed, and the lender and borrower, like the buyers and sellers of other things, are left free to bargain with each other, and fix the rate of interest as each transaction may require.

It is needful that some standard, or what is called a legal rate of interest, should exist for regulating what interest should be paid in cases where no specific bargain has been made; and this rate, as our readers are aware, is fixed by our laws. But beyond this the legislature should not go in regulating the rate of hire in loans or dealings in money. All restrictions as to the highest or lowest terms of the bargain

* Happily in our country these wretched prejudices of race have given way, and many of our Jewish citizens have won the esteem of all classes by their worth and services to the community.

are open to the objections fatal to all interference with entire freedom of trade, which will be considered in their proper place. It may suffice here to remark that these restrictions failed to defend the needy and improvident borrower, for whose protection they were framed. On the other hand, their operation often tended to make his position worse. The competition of a better class of money lenders, to whom the terms fixed by law allowed no fair equivalent for the risks of the loan was prevented, and the field thus left open to the lowest usurers, who, well skilled in a multitude of devices to elude legal penalties, pillaged without remorse or mercy the unhappy victim whose necessities left him helpless in their hands. We have at last learned by experience that no laws can protect men from the consequences of their own folly, and that trading in money is like trading in other things, in which when fraud has been, as far as possible, prevented by law all further legal interference with the terms upon which the parties deal with one another can produce nothing but mischief.

We have also happily in a great measure outgrown the violent prejudices, once almost universal, against money-lenders as a class. It has been found, on a wide and impartial view of their dealings, that though in some cases the accusations against them have been well founded, yet that the many instances in which they were of essential service, by affording help in emergencies to individuals and communities, had been overlooked in the sweeping censures cast upon them. In this case, as in most others in this world, good and evil are mingled; and as mankind improve, the advantages of the former are secured with less alloy from the latter; but some drawback from the good results of any improvement possible in this stage of existence must ever remain. By gradual amendment, rather than by futile attempts to enforce sound action in some of the gangrened limbs of a corrupt state of society, will the only real cure of any existing evils be produced. As are the borrowers so will be the lenders. In a future page such of the tendencies to elevate the moral tone of the whole community as belong to our subject will be more fully discussed.

The profit derived by the capitalist from employing his capital himself should be larger than the interest which another will pay him for its use. He should in this case receive a return for his skill and industry employed in the management of the business in which his property is embarked. Some extra receipt is also required to cover all risk of any loss of the whole or a portion of his store, which is borne by himself instead of by the borrower in the case of a loan. But when a thrifty, prosperous man keeps all his savings in his business he will often find his capital gradually grows larger than he can well employ. Hence the frequent temptation to unwise extension of his concerns or unsound and hazardous speculations. If he resolves to keep all his capital in his trade, the prudent man will rather be content with the profit he can make safely, though on a reduced scale, than be tempted by the lure of gain to operations which his better judgment condemns as unsafe. The subject of profit on trade will be farther considered in its proper place.

SECTION II.

MANUFACTURES AND TRADES

CHAPTER I.

WORKING OF METALS AND MACHINERY

With the working and use of metals all civilisation may truly be said to begin, for without their help little or no progress can be made in the arts of life. Iron especially is so fitted for an infinite variety of purposes, and of such constant familiar use, that it requires some effort of the imagination to fancy to what a condition man would be reduced if wholly deprived of its help. Almost every day we see fresh applications of this metal to ships, buildings, &c., displacing wood, stone, and

other constructive materials. The wealth and power of England may be said to be mainly built upon our inexhaustible stores of iron ores, coal, and limestone, in such proximity as to give us unrivalled facilities for manufacturing iron and steel. Since the application of steam power and machinery so impelled, these resources have been increased indefinitely. Without these combined advantages little progress could have been made. Iron, coal, steam, and machinery, each comparatively powerless by itself alone, have united to perform tasks which all the nations of the earth gathered together for the purpose with one will in one place could not have accomplished without their aid. Thus armed, science and industry every day make rapid progress, extending at every step the power of man over time, space, and matter. In this onward march there is no halting. Every day gains something; every foothold upon new ground is the starting-point for a further advance.

Therefore though many important manufactures had long been carried on amongst us before this era of invention, such a mighty change has been wrought in all of them by the application of these new powers, that we make the working of metals and machinery the starting-point in our review of the manufactures of England.

Our land has been known from the earliest times of which we have any tradition as abounding in mineral wealth. Merchants from the East visited our southern coasts, called by them the Tin Islands, to gather the pebbles of rich tin ores brought down by the streams, just as gold is now discovered to be in so many countries. This stream-tin is so pure that small skill in smelting is required to produce the metal. The simple use of fire separates the few impurities, which escape as gases or mix with the fuel, leaving the refined tin to flow from the furnace fit for use. Before the use of coal, the large deposits of iron ore in our midland districts were reduced with charcoal from the forests then covering that part of the country. But until the furnaces were heated by coal the working of iron was very insignificant compared with its present gigantic extent. The discovery of abundant deposits of iron ore close to those of coal at once removed the foundries from their

former localities, the woods of which were getting fast exhausted, to the new neighbourhoods where abundant stores of the needful fuel were close at hand. The use of steam enabled the mines of various metals to be drained and the courses of ore followed to their rich intersections far beneath the surface, whilst the coal, as in the case of iron, supplied abundant means of smelting the metallic produce. Before this use of steam, little could be done in most cases in mining beneath the level where drainage from a *leet* or watercourse became impossible. Only in a few favoured localities could the water-wheel be applied with sufficient power to make head against any considerable stream of water in deep mines, until Newcomen and Watt aroused from the sleep of ages the giant which has since toiled unwearied in the service of man. Their steam-engines, by draining deep collieries, supplied the fuel which fed them, and enabled them to unwater deep mines of all the metals produced by England in such abundance. The power thus gained has since been immensely increased by better arrangements of the working parts of the engine; whilst science has continually made fresh discoveries in separating metals from the alloys and earths with which the ores are mingled in their crude state. These discoveries are perchance only in their infancy. New metals and metallic compounds are found and tried in various combinations, some of which promise to be serviceable, whilst continual improvements are made in extracting and refining mineral produce. Riches are discovered in what was once in ignorance thrown aside as waste; and poor garbled ores are smelted and separated into useful metals which could not be profitably reduced by any process formerly known. Perhaps the greatest recent improvements are in making, forging, and casting iron and steel. Without the machinery recently introduced, especially the steam-hammer, even all the modern inventions which have made the reduction of crude ores into iron and steel a new art, would have been comparatively of small value. But now, when our improved furnaces have produced iron suitable for every purpose to an extent before impossible, by our manifold appliances for working it, the largest masses are shaped

and fashioned with ease. Bars, plates, castings of every kind, whatever is needed in every form, of the largest size which the strength of the material will bear, are now produced, and iron is daily applied to fresh uses, to which there seems no limit.

It is curious to trace the origin of some of these chemical discoveries to the same thirst for gold which in our days sends abroad thousands, enduring ten times the labour and privation which would ensure success in many walks of industry at home, to toil in the gold-fields of foreign lands. The excitement of gambling possesses them. In this golden lottery they may any day draw a prize and suddenly become rich. So in the middle ages, when little was known of chemistry, many wasted their whole lives, and spent all they had, in fruitless attempts to make gold. Crafty possessors of a scanty knowledge often used it to work upon the greed of the ignorant. Chaucer's inimitable tale shows vividly how the alchemist in his days plundered the fools who thought he possessed the desired secret, and shrewdly remarks upon the folly of supposing that these men could enrich others who never could raise themselves from the most abject poverty save by the money they managed to extort from the dupes on whom they preyed. We learn from the well-known work of one of our great dramatists that the same deception was profitably practised above two hundred years later; and even up to this century men were found here and there who lost all they had and crazed themselves in this mad pursuit. We hope this delusion has now finally vanished before the increasing light of truth and science. Yet these slaves of the crucible and furnace, by continual experiments, discovered — not what they sought — but many chemical facts, which science has since verified and systematised. By their continual working with mercury, for example, they stumbled upon some idea of its use in the separation of metals, for which it is now so extensively employed. In this direction some of them undoubtedly came very near great discoveries; and operating upon some ores and metallic compounds, might make people believe that they made the gold or silver which they only extracted from the mixtures in which it before lay hidden and unknown, or might produce

some alloy of base materials, so exactly counterfeiting the precious metal that it could not be detected as false. In fact, the most probable explanation of what we read about some of these men is, that now and then one managed to enrich himself in this way by some secret which perished with him. Even in our times there are secrets afloat more than many, even amongst scientific men, dream of. Some of these lie in the production of base metals, so entirely resembling gold and silver as to resist all the known tests and defy detection. The commonest application of this fraud is to jewellery, where exact comparison by weight is practically impossible. Some remarkable instances have occurred of these counterfeits deceiving even the most experienced gold and silver smiths. Like coiners, the men who practise this deception, lurk in holes and corners, and seldom long escape their deserved punishment.

Wood and leather have for ages been employed in wheels and driving bands, more or less rude, in the form of windmills, waterwheels, &c., applied to various purposes in almost every part of the world. But this use of the power of the elements remained stationary above two thousand years, without any invention worth notice expanding their action. The application on a gigantic scale of the power of water in the hydraulic press, only became possible in our days, when working in iron had been brought to the highest degree of perfection. The introduction of steam-power marks the date when the use of machinery, as we now understand the term, may be said to begin. By this power England is raised in strength far above countries which are much more populous. Every bushel of coals which feeds the iron labourer — every gallon of water which supplies the gigantic moving power of the engine, represents, in effective force, an addition of men and horses to our population and working vigour.

The changes which the introduction of machinery produces in the condition of the hand workmen, will be considered in a chapter devoted to this interesting subject.

All export of machinery, especially that used in the manufacture of fabrics of cotton, wool, &c., was long prohibited un-

der the idea that our pre-eminence as a manufacturing country depended upon keeping secret from other nations the inventions which have been carried to such perfection amongst us. But when the real causes of our superiority in this respect came to be better understood, all restrictions on exporting machinery were abolished; as have been many other protective laws which were long defended on similar grounds. The results show greater prosperity to our manufacturing interests and a large and profitable trade in making machinery for export. Whether in any stage of manufacturing industry protection of any kind is ever beneficial, will be considered in discussing the whole question of free trade contrasted with monopoly. It is generally admitted that when the stage of infancy is passed, protective fostering impedes, in place of advancing, progress in any trade or manufacture.

The workers in metals early stood out as a separate class in the infancy of society, when almost every other trade and calling were branches of the domestic employments of each household. We hear in the oldest records of skilled workmen—'cunning artificers,' amongst those who wrought brass and iron, whilst ploughshare, sword, and spear, the graven and molten image, and vessels and ornaments of various kinds, appear amongst the first works of the smith and the founder. Before the invention of gunpowder, when battles were decided by hand to hand conflict, the temper of iron, steel, and brass was a matter of vital moment in weapons of attack and armour of defence. The East was long famous for supreme skill and many secrets in forging swords, &c., and Spain and Italy enjoyed the same reputation in the middle ages.* It is only from comparatively late times that England attained her present renown for steel and iron work, and still more recently that she has made any great progress in the manufacture of the best plate and jewellery. Until our times, tasteful ornament and design in the most elegant articles were confined to the best foreign works, especially of France and Italy, which our first workmen were

* Damascus, Toledo, and Milan, are well known names, as well as that of Andrea Ferrara, the sword maker.

content to imitate with no hope of rivalling. But every day now sees some advance in beauty and originality of form and fashion amongst us, and we may hope, ere long, to become as celebrated for the taste as we have always been for the excellence of our workmanship.

It has been said, in treating of mines, that the labour and skill employed in working foreign ores and metals, may be, in some cases, a greater source of wealth to a nation than the same produce from mines at home would be with less manufacturing advantages. Therefore, we need only here refer to what is there stated to show that in this, as in all other cases, labour profitably applied is the only certain source of wealth and prosperity.

CHAPTER II.

OF MANUFACTURING INDUSTRY.

By manufacture, in the largest sense, is meant the production of everything made by the hand of man. But the word is generally restricted by usage to objects which are multiplied after one type or pattern in distinction from the productions of genius and fancy, which are called works of art, each of which is individual and a separate creation.*

Certain manufactures — those of wool, cotton, flax, and silk — have attained such an extension in England that the word, when not limited by some description, is generally understood as referring to these alone, and is applied to the process of manufacturing these articles in large establishments, as contrasted with their production on a limited scale in smaller buildings or in the cottages of the workmen, as well as to the manufactured articles produced. In this sense we speak of the manufactures of England in the present chapter.

Manufactures on this system are amongst the productions of a very advanced state of civilisation. Long after the division of labour had created many trades to fit for use the several animal

* Example.—A drawing of a group of flowers is a work of art — the same group repeated in a printed or woven fabric a manufacture.

and vegetable materials for various kinds of fabrics, we find the spinner, weaver, dyer, fuller, &c., each exercising his craft in his own dwelling or in a small adjacent workshop. From this state of things to the immense establishments, where mighty steam engines and hundreds of people impel and guide machinery in many rooms of vast buildings, a very wide step has to be taken. The progress, at first but slow, moves when a certain stage in advance has been reached with a more rapid pace, until the separated workmen gather in great factories, as they are called; a few of which employ the inhabitants of a whole town. It is soon found that the same causes which enabled the first manufacturers to realise large profits by collecting a few scattered workshops into one establishment continue to give those who succeed them, with better arrangements upon a larger scale, immense advantages over the small beginners of the system. Hence continual extension and improvement have marked the last half century, especially in the few last years; until, by division of labour and successive expansions of the power of machinery, an amount of production has been reached which, proceeding much farther on the same scale, would ere long make more goods than the whole world can find wearers for.

Anything like a history of this growth of our manufactures, especially that of cotton, would absorb the entire space devoted to this treatise, to do very insufficient justice to a subject of such interest and magnitude. We must be content with here naming Hargreaves, Arkwright, Crompton, and Cartwright, as those who, with many others, stand prominent as the first in the introduction and improvement of our spinning and weaving machinery. Another name demands separate mention, both from the ingenuity and elegance of his invention, and the desire naturally felt not to forget the just claims of a distinguished foreigner. Joseph Marie Jacquard, early in the present century, invented at Lyons the loom bearing his name, which enables varieties, almost infinite, of colour and pattern to be woven in the substance of the cloth. First used in silk, this loom has been arranged to suit all materials; changing the art of weaving by effecting what was before impossible. We

regret to be forced to pass with mere hasty notice the recent interesting suggestion of adapting to these looms the principle of electricity on which the telegraph is founded, by making the electric current trace in interruptions of its circuit the pattern, the setting of which, as it is termed, upon the cards required in these looms is an enormous expense in complicated designs. Numerous recent discoveries in the last few years form quite an era in the dyeing and printing departments. These will be hastily noticed in the following chapter.

Our staple manufactures, as it is well known, received their first impulses from the flight of skilled workmen to England from the continent of Europe at various times. Victims of religious or political persecution, they came as the persecuted have often since done to seek refuge in our land of freedom and safety, and richly repaid the sanctuary afforded to them by bringing with them and teaching our countrymen many of the manufactures, arts, and trades which have raised England to her present pitch of prosperity. But in the blindness of ignorance the valuable gifts were not always thankfully received. There were protectionists in those days—men who feared that the more skilful foreigners would disturb the monopoly possessed by the ruder English workmen. Riots often ensued, and the lives and goods of the strangers were sometimes destroyed before the keepers of the peace could interpose to defend them. Chaucer compares the yells of a furious mob to the cries of the English clothmakers, 'when they woulden any Fleming kill.' Happily these disturbances did not prevent the settlers from holding their ground, and they have been noticed here mainly as one amongst many instances afforded by the records of past times of the blind, selfish folly which would dwarf the whole nation down to its own pigmy standard.

Capital, coal, machinery, skill, and industry united, give England advantages in manufacturing which no country has hitherto been able to rival. Our cotton and silk goods, woollens, and linens, are profitably exported to the very lands whence we brought the materials of which they are made; and thus after two voyages, in the raw staple hither and back as

finished goods—after passing through many hands and enriching whole districts, they clothe the foreign farmer with the produce of his own soil far better and more cheaply than any dress of the same materials he can purchase at home. In producing this result, and effecting from day to day some improvement in one or other of our many branches of manufactures, all the resources and energy of our countrymen are called into play. Art supplies various beautiful designs in colour and pattern—science brings all the aids of modern chemistry to the dyer, bleacher, fuller, &c., whilst fresh inventions continually increase the productive powers, with greater economy in their application, of capital and machinery. In some instances brighter and sunnier climes are more favourable to freshness and delicacy of tint in a few fabrics and dyes than our clouded atmosphere; and a taste and perception of graceful harmony in colour and design are found in the best manufactures of these southern lands which our workmen yet hardly equal. These advantages, however, are far outweighed by others which, as we have above shown, are peculiar to our country; and the continual improvement of our fancy goods in beauty and finish leaves little, if any, pre-eminence to our rivals.

The effect of the substitution of manufactures and machinery for household handwork upon the social condition of the labouring classes will be further considered, as also will all relating to protection in every shape applied to manufactures, in separate chapters devoted to these subjects.

Security from fraud and piracy for inventors by patents, and for trade marks and designs by registration, has lately employed much of the attention of our law-makers. Our whole patent laws were long a disgrace to the country. Expensive, uncertain, and oppressive in every way, they seemed contrived for the ruin of the unhappy inventors whom they professed to protect. Perhaps the most striking instance of this is afforded by the case of James Watt, the parent of our steam engines. Had he not fortunately found a rich partner, with determination and money able to stand years of litigation against fraudulent pirates and usurpers of his inventions, he would have added another to the long, mournful list of the

greatest men England possessed, ruined by benefiting their country, chiefly owing to the infamous state of our laws. As it was, for years after years all the profits of his wonderful discoveries were absorbed in their defence before his 'fully-proved and well-tried friends,' as he often termed his patents, brought him the deserved reward. Happily the worst of these abuses have now for some time been reformed, by the cost of patents being reduced, with increased security to the inventors. The effect has been to render further legislation indispensable. Every day multiplies invention upon invention so rapidly, that the courts of law are wholly unable to decide between rival claimants to novelty, and the funds which should be profitably employed in business are too often wasted in endless litigation. We hope, ere these lines have long passed the press, that this difficult subject will have been further dealt with by our law-makers, so as to diminish this evil, leaving adequately rewarded those whose discoveries enrich our country for all time forward.

Nor is it less needful that the manufacturer who has earned a reputation for some article which he produces should have all the defence which the law can afford against piracy or fraudulent imitation. It is the common as well as individual interest that all such unworthy practices should be prevented. As long as the manufacturer merely depends upon copying a design belonging to another, simulating a well-known trade-mark, or imposing his own inferior goods upon customers as the produce of a successful rival who enjoys a deserved reputation,—so long will he neglect that energetic competition and improvement which, properly directed, would have ensured him success upon fairer terms.

This chapter is finished at an interesting moment. The civil war now raging in the States of North America prevents us from receiving thence our accustomed supplies of cotton. So fitted for all our wants are the different qualities of this cotton, and so well had its supply kept pace with the increasing demand, that our manufacturers depended upon the States for their raw material to an extent that leaves them

unable to keep up their increased scale of production now, when suddenly deprived of this import. It will be some time before sufficient cotton can be grown in other parts of the world to replace this deficiency, and some alteration of machinery will, in many cases, be necessary to apply the different kinds of cotton that will be received to all the purposes for which it is required. Meanwhile, production is considerably reduced — contracting the wages of the workpeople, and producing much privation and poverty in the cotton manufacturing districts. Of course all will be done that is possible to lessen the distress thus caused; and happily many prosperous years leave our manufacturers generally well prepared to tide over the crisis, and prepare for better times. They are, however, naturally much perplexed by the uncertainty how long the present state of things will last, which makes them reluctant to make alterations in their machinery, or arrangements for large imports from other quarters, when, before long, the States may supply them as before with what suits them best in price and quality, leaving those who had made provision for procuring and working the cotton from other countries exposed to heavy losses. It is, however, fortunate that at this moment nearly all foreign markets are fairly glutted with our goods, which, in most instances, would have been sold at great sacrifices had the enormous production and export continued. So some relief will be derived from the higher prices which this stoppage will enable our exporters to realise, thus partly repaying the loss of carrying on their works on a much reduced scale, or for a time stopping them altogether. Good will, in the end, come from evil, if this lamentable and fratricidal struggle amongst our cousins across the Atlantic ends in opening up fresh supplies of cotton from many other quarters of the world — thus lessening our complete dependence upon one source, which this experience shows us may at any moment be suddenly dried up. Our Indian empire is in every way fitted to supply the void, and almost as these words are traced the most statesmanlike change is being made in the restrictive system which has so long closed this rich country to English cultivators. But this beneficial alteration

in the whole system of land-holding in India must be further noticed when our colonial trade comes under review.*

CHAPTER III.

CHEMICAL AND MECHANICAL TRADES, ETC.

No survey, however bare and rapid, of the productive history of England could wholly omit to notice many important branches of trade not included under the great heads of our two last chapters. Some of the principal of these, as those of glass and earthenware, depend mainly upon practical chemistry for the improvements which have raised them to their present prosperity. Indeed, the manufacturing chemist has lately become of so much consideration that Liebig says, with some truth, that the prosperity of a nation may, in our days, be tested by the quantity of sulphuric acid which it consumes; a saying which can only be fully understood by finding how many articles there are of extended use as chemical compounds, dyes, composts for land, &c., for the preparation of which sulphuric acid is required.

What may be termed the scientific trades and arts, are the creation of our days, and had no existence a few years ago. Gas-lighting, electro-plating, photography, have given employ-

* The statistics of our manufactures, especially of cotton, are a wonderful example of gigantic growth since the beginning of this century. A few figures may interest our readers, who must bear in mind the disturbance caused by the civil war in America in our staple trade in the latter part of 1861. Notwithstanding this, our import of cotton, which averaged 2½ millions of bales yearly from 1855 to 1859, and was 2⅘ millions in 1859, and above 3⅓ millions in 1860, reached in 1861 3 millions of bales: and of the declared value of all exports in 1860—viz., £136,000,000 sterling; yarns and textile fabrics amounted to more than £78,000,000; viz., cotton £52,000,000, woollens £16,000,000, linens £7,000,000, and silks £3,000,000. Though the actual values exceed those declared, yet these figures show the extent and proportions of each branch. Above these, haberdashery and millinery amount to £4,000,000.

ment to thousands, and introduced great changes in many trades and articles of use and ornament. New materials and new applications of known substances have had a similar effect, of which the variety of purposes to which gutta percha and indiarubber or caoutchouc are applied, give many striking instances. A visit to some Birmingham manufactories and warehouses in the present day would almost shake our belief in the identity of matter. So novel and ingenious are many of the wares and articles—so entirely is the original substance of which they are framed transformed in the finished production, that we begin to doubt all former impressions as to the fitness of certain materials for certain purposes, and to fancy the jest of the humourist, that 'everything can be made out of anything,' may be merely the utterance of a well-known truth. Nor are our notions of what is little and what is great one whit less disturbed, when we see what immense stocks of goods and materials—what large factories and multitudes of workmen, are required for the trade in articles, singly small and insignificant. Some idea is thus realised of what vast proportions are assumed by the supply of the world with even the meanest and most unimportant things. Here, too, the reasons already noticed why large manufactures so completely supersede domestic working on a small scale, are forcibly illustrated, when we find for what low prices things can be profitably made which are produced in millions.

Equal wonders — even more surprising changes — appear at every turn when reviewing the manufacturing chemistry of our times. This new trade, though so rapidly expanded, has apparently yet a long era of growth in the future. Every day some new analysis or combination discovers fresh results. Colours, mordants, and an infinity of other useful things, are extracted from materials the most unpromising and in appearance most remote from the result the cunning artist obtains from them. In some cases, the use of poisons in chemical preparations has been dangerous in its remote effects. For example, the arsenic in the beautiful colour called Scheele's green, has been found noxious, and, in some instances, fatal, when applied to paper hangings and the dress and ornaments

of ladies. It is some comfort that later discoveries have taken a more harmless direction. All our apples are now bought up to be used in manufacturing dye stuffs; and though this causes the loss of our cider, we have, in this instance, the consolation of escaping being poisoned. In one direction, however, discovery has proceeded too far. Adulteration has become a regular science. Of our food, drinks, condiments, medicines, &c., little can now be procured genuine. He would be a wise man who could say exactly what he eats and drinks; but, we fear, he would hardly be a happy one. Many of the substances used in these adulterations are injurious — almost all are unsavoury. But the scientific detective treads close on the heels of the culprit, and discovers his frauds by fresh aid from improved instruments. The microscope now often discloses the foul admixture which no other test succeeds in revealing. Attempts have been made to punish a few of these frauds: but some alteration of our laws is required to meet exactly the worst cases and secure the health of the community.*

In the manufactures of glass and porcelain, to which we have just alluded, improvements in taste and design have recently been introduced like those already noticed in the textile fabrics and in ornamental works in metal. The finer productions in all these cases rise above the standard of manufactures, and are frequently works of art of much elegance and value. Few branches of industry can be found more fully illustrating the results of protection applied to home production than the China manufacture. It has been the plaything of more than one powerful monarch; but exquisite as are many of the productions of Sèvres and Berlin, the real healthy

* It is well for children and adults fond of the flavour of fruit in confectionery, that they know nothing of the unclean mysteries of Ethyle. An amusing instance of the curious nature of some recent discoveries and the wealth they produce recently appeared in the public prints; where a man who has grown rich by extracting oil from the mud of Paris, offers himself as king to the Mexicans, fairly arguing that his power of successfully dealing with vile materials, enables him to be far more useful to them in bringing order and prosperity out of chaos than any Austrian duke could be.

growth of the potter's art upon a large scale, in all its branches, is owing to individual skill and enterprise in our land of free competition.* In like manner the manufacture of glass, nearly akin to earthenware, has received increased development since recently freed from the trammels of the Excise. Space here fails us to enumerate the trades and articles of production daily assuming importance in domestic and foreign traffic, amounting in the total to a large portion of our commerce. Many of these branches of industry were long crushed down by Customs and Excise duties and regulations, which, adding little to the revenue, cramped and hindered trade to an extent we can only measure by the expansion following their removal. This subject will be more fully considered in reviewing protection and taxation; but a special word must here be given to the repeal of the duty on paper, from which, in giving additional power and freedom to the press, the best results may be expected. In carpentering, building, &c. we find, as society advances, a continual tendency to replace timber by other materials for nearly every purpose to which it was originally applied. The carpenter with his axe — almost the sole engineer and architect of early days — gives way gradually to the mason, the smith, and the iron founder. In place of wooden framing for the sides and roofs of buildings, we first find brick and stone walls; then iron, often largely used in beams, rafters, &c., and the wooden staircase replaced by stone. The same substitution will be traced in the following chapter in bridges and many other structures, whilst the use of iron in ships will claim special notice. In mentioning building, the mind naturally turns to the decline of architecture from the middle ages, and the signs now given of a healthy revival. But this interesting subject is beyond the scope of our treatise, except a passing

* The notice of foreign earthenware cannot be dismissed without mention of Bernard Palissy. His long struggles with difficulties of every kind, and the success which at last rewarded his unwearied efforts, give an interest to his life which few fictions equal. The ware which bears his name is highly prized by collectors of rare porcelain.

notice of the remarkable confederation of masons in the middle ages that covered so many lands of Europe with buildings which we continue to admire with no hope of rivalling. A future chapter will advert to the guilds or trade companies, which so long regulated every branch of industry, and yet subsist, in some cases, though with much lessened powers and influence.

Before dismissing the carpenter, cabinet-maker, &c., as the leading trades amongst the workmen in timber, attention must be given to some of the large wholesale factories established in America for making fittings to houses, furniture, &c. Division of labour and machinery are there carried to great perfection; and in this, as in some other instances, our transatlantic brethren have, to use their own phrase, 'gone far ahead' of us. This is one of the cases in which the hand workmen in England have long short-sightedly resisted improvements, fearing to damage their own position. In few trades has what we may call the tyranny of the workshop been carried farther than in all the branches of working in timber. The use of steam in sawing, planing, &c., was long successfully resisted in many parts of England, and the penalty of this foolish dread of machinery has been in this, as in many cases, to leave us behind other countries. As combinations of masters and men will hereafter be fully considered in detail, this chapter will close with the remark that, as our workmen improve in education and intelligence, narrow-minded prejudices of this kind are abandoned day by day.

CHAPTER IV.

SHIPS, ROADS, RAILWAYS, ETC.

THIS chapter might seem at a first glance more properly belonging to the following part of our subject, as ships, roads, &c., are employed in distributing manufactures and the produce of the soil amongst consumers. But they are themselves an im-

portant portion of the wealth of the country produced by capital, and may be regarded as a particular class of useful manufactures, using the word in its largest sense. It will therefore be most convenient to consider the appliances needed to transport the produce of the farm, loom, &c., from place to place, as belonging themselves to the work of production, which delivers the articles for sale at market to the buyers there.

The ship, in some form or other more or less rude, is almost as old in the world's history as the 'ship of the desert,' or camel, that carries the merchant and his goods over the sea of sand in Mid Asia. From the earliest times the coasts and isles of the East have been traversed by the nations dwelling there with various vessels, differently suited, as far as the knowledge of the people admitted, to the wants of their respective voyages. England has now so long taken the lead of the world in trade and war at sea, that we are regarded by ourselves and other countries as a nation of mariners—seafaring by instinct. This national character only partially belongs to our insular position; principally depending upon the predominant race which in this and so many other features has given a tone to much that is peculiar in our institutions and tendencies. Celtic nations, even when living on the sea coast or in islands, only use the sea, as it were, by force, where they have no other means of travelling from place to place. They are, consequently, seldom, if ever, great sailors; and such were our forefathers until the sea-kings and invaders from the North and East descended on our coasts. From this Norse and Saxon element mingling in our blood came the English to be a people whose 'home is on the deep,' taking naturally and kindly to the water, and from that time forth enterprising and powerful at sea.

Before the invention of the compass, navigators crept timidly along the coast, venturing little out of sight of land in their voyages. They were only able to put to sea with certain winds and at favourable seasons of the year, being always liable to be blown on shore and wrecked. The delay and expense of sending goods by ships were therefore often very

great; especially as the sailors were continually forced out of their course, or compelled to stop for good weather, and often to winter at such places* as they could reach, when prevented by contrary winds from arriving at the port whither they were bound. Under these circumstances, conveyance by land, where practicable, would generally be preferred to that by sea, especially for long voyages; and where ships were used, their freight was frequently unloaded at convenient ports in the track of the voyage, and either sent on by land or shipped after awhile in another vessel. Stores of merchandise were accumulated for shipment at the proper season, when fair winds prevailed and the seas were calm.

But when the sailor could find by his compass the bearings at sea, he steered boldly across the open ocean, and navigation by degrees was entirely changed. Soon followed the discoveries of the Western world and of the route to India by the Cape. From that time the riches of the East were no longer brought to Europe by the overland caravan to the coasts of the Red Sea and Mediterranean. This change destroyed the commercial importance of many countries and cities once places of great trade along the midland route, transferring the traffic and prosperity to the seafaring nations who sent their ships direct across the ocean. The open sea is a great leveller, caring little, as Horace tells us, for names or descent of renown, or pomp of apparatus, but giving its prizes freely to the most skilful and enterprising. Favoured by their freedom, and the energy and intelligence which it developed, the Dutch and English soon outstripped the Venetians, Genoese, Portuguese, and Spaniards, who had before engrossed the maritime trade of the world, and rapidly rose as their rivals declined in naval importance. For the last century the British have taken the lead in the world's commerce by sea, and our offshoot, the United States of America, is the only country that at all approaches to our gigantic growth in maritime wealth and importance.

* The interesting account of the shipwreck of St. Paul will occur to most readers as vividly illustrating this. The cargo of wheat must have paid a heavy freight to have made the voyage answer, even if it had escaped the loss at sea.

We cannot here even glance at the proud pages of England's naval annals; being confined by the scope of our subject to what concerns her trade.

Since the repeal of our Navigation Laws, which, under a mistaken notion of fostering British interests by protection, gave a monopoly to English ships manned by English crews, the increase in the prosperity of our commercial marine has been great and rapid. Left to rely upon their own energies in fair competition with other countries, our shipowners and seamen have proved that their superior skill and enterprise were as well able to maintain, as they had originally been to occupy, the first place in the world. When protection was first withdrawn, foreign vessels rapidly took such a large share in almost every branch of trade that alarmists feared the day of England's decline was near, and foretold fearful consequences from abandoning what was called the wisdom of our forefathers. Owing to the erroneous mode of measuring ships for tonnage, which computed only one length and one breadth to find the capacity for cargo, English merchantmen had long been built more like chests than ships—to carry large cargoes, paying the smallest possible dues, but bad sailors in every way. Nothing but thoroughly sound English shipbuilding and thorough skill and courage of captains and crews could enable such crafts to avoid loss and damage and make anything like a good voyage. These ugly, clumsy vessels were far inferior to foreign merchantmen, which, fettered by no such absurd revenue laws, were built to sail well and carry well, and fitted in form and size for the particular trades in which they were employed. This evil was entirely corrected by a new mode of measuring English vessels, which, taking the actual width in different parts of the length in a proper manner, left no motive for continuing to build bad ships. Since that time we have rapidly recovered lost ground, and increased in the number, beauty, size, and value of our merchantmen at a rate which soon restored us to our rank as the first commercial power in the world. We have here dwelt on this change in our shipping laws, and its consequences, as a striking proof of the great truth which all sound

reasoning in political economy establishes, that protection cripples and dwarfs national progress, and that superior skill and energy left to work freely will always attain, as they alone can keep, the pre-eminence. Had not our navigation laws been repealed in time, the United States of America, which have long been striding over the waves with gigantic steps, would ere this have taken the lead we now hold, and left us only an inferior rank as a commercial power at sea.*

Our general system of commercial law, as applied to shipping and all belonging thereto, is derived from the famous laws of Oleron and those of the Italians, Spaniards, and Portuguese, whom we have noticed as the chief seafaring nations in the early commerce of the middle ages. With little or no change in their principle, but expanded or carried into detail to suit the wants of our enlarged commerce, these ancient codes supply the maritime commercial law of our land in force at the present time. We also derive from the Italians the practice of marine insurance, which is too important in its influence upon commerce to be passed here wholly unnoticed.

Most ventures present the alternative of great success or heavy failure. The sanguine and energetic are ever eager to pursue the brilliant prospect and neglect the attendant risk. Viewed in this light, most novel speculations and undertakings are games of chance presenting the same kind of fascination as the dice-box or the hazard-table. The dangers of the seas gave much of this character to the first ventures in carrying on foreign trade by long voyages. Total destruction or great damage of ship and cargo were frequently recurring. The fortunate merchant who met few or none of these losses rapidly acquired great wealth, whilst those on whom fell the misfortunes of shipwreck or piracy were impoverished—often ruined. Until the business could be brought within the limits of safe trading, the most cautious and prudent amongst the wealthy would often be deterred from embarking in it. Yet the saga-

* The increase of British shipping of all classes in the three years ending with 1861, is estimated at 1,272,725 tons.

city of these men fully perceived the immense advantages of the new development given to commerce, and soon devised the means of giving the desired security to the capital embarked in foreign trade. Every chance which is of repeated occurrence is capable of being computed, and its value measured with great exactness. We can only here state this fact and refer to the results of this computation, which requires a fair amount of mathematical knowledge, and is fully explained in several works upon the subject. Applying this principle to the case of losses at sea — if the whole profits made by foreign trade, taken altogether, are larger than the whole losses by shipwreck or other perils of the seas — a sufficient portion of these profits set aside for this purpose, will pay these losses and leave a clear gain of the remaining profit to the trader. But it may often happen that some individuals may wholly lose their first venture by sea, whilst others may trade for years without having a single heavy loss. This difference is adjusted by marine insurance. Few or none of the earliest traders by sea carried on his business on such a large scale, that his profits could bear an unfortunate succession of heavy losses. Therefore many merchants combined, each paying a certain percentage, or voluntary tax out of his profits, to make good the losses by sea incurred by any of the subscribers. This insurance soon became a regular separate business. Men of large capital and great business capacity found that, by carefully computing the average* risks of different voyages at different times of the year, and by fixing the rates of insurance or premiums, as they are called, to be paid to cover each, they could make large profits by insuring the merchants from losses by sea on terms which left ample profit to the traders themselves. We cannot follow this interesting subject into all its details; but the general result may be thus briefly stated. The person undertaking to insure the merchant, or underwriter as he is called, for an agreed rate or premium upon the sum

* That is finding the proportion the losses bore to the safe arrivals. If 2 of every 100 cargoes are lost, the average loss is 2 per cent.; much experience is required to make this calculation accurate.

insured, enters into an agreement, called the policy of insurance, to make good all loss to ship or merchandise that may happen on the voyage thus insured, to the extent of the sum on which he receives the premium.

This arrangement has produced general effects upon commerce, the importance of which can only be vaguely measured. It may, however, safely be affirmed that much, if not all the steady continual growth of our country's wealth in foreign trade has been rooted in, and nourished by, the prosperous security of marine insurance. The principle of insurance has, as our readers are aware, received of late a wide extension, principally upon lives and against fires; and too many new insurance offices are mere swindling speculations, affording no security. We mention this for the sake of remarking that this unsoundness has very little, if at all, tainted the business of marine insurance, which remains, generally, resting upon the basis of sound calculation, an important branch of our commerce in the hands of men of capital and ability.

Many great changes and novelties are daily introduced in shipping in this era of invention and improvement. The most marked and important is the use of steam — first introduced in ferries and river navigation; next, in short coasting trips; and now daily extending over all seas, as the perfection of our marine steam engines enables steam vessels to undertake the longest voyages. This has been effected by successive changes in the adjustment of the size and form of the vessel to the power of the engines she carries, as much as by the improvement of the engines themselves; and by having stores of coal at different places of call in the longer voyages. The main object, of course, is to get the greatest work out of the least fuel, and thus lengthen the distance the ship can steam, carrying her own coals and still leaving enough space in her hold for goods and passengers to make her voyages profitable. This has recently been effected by substituting the stern propeller or screw for the side paddle wheels in all vessels for long voyages. Another change is increasing the size of the vessels which has mainly been done by building ships of iron instead of wood. A great experiment, familiar to all our readers,

has recently been made in this direction by our giant steamship, the Great Eastern, built at once five or six times the size of the largest steamers afloat to this time. It would almost certainly have been safer to approach this monstrous size by degrees, than to go to such an extreme at the first trial. Many obvious considerations limit the profitable tonnage of every ship with reference to her employment. The difficulty and delay of getting together sufficient cargo and passengers, may prevent a vessel of enormous size from being sailed to advantage. She must often either be detained to fill up, until smaller vessels, more rapidly despatched, beat her upon the voyage, or be sent to sea half empty.

Another attempt has been made to take advantage of the use of steam and iron in constructing vessels upon a novel principle, especially adapted to the coal trade of London, where an immense amount of tonnage is continually brought one way by vessels returning empty in ballast. The idea is taken from a very simple application of the principle on land in removing large masses of earth, &c., where one driver and team of horses work two or three carts, leaving one always filling whilst another is on the road. If an iron steam collier can be so built that the hold where the coals are stored can be detached from the engine part of the vessel, the same thing can be done at sea. The ship has two or more middle holds used alternately like the carts, and leaving the cargo of coals in one to be unloaded at leisure, returns without delay with the empty hold (into which water has been pumped for ballast), for another cargo. The engine and forecastle for the crew are in the fore and aft compartments, which may be kept continually moving to and fro, thus making one engine and one crew do the work of two or three ships on the common plan. Though this ingenious idea has hitherto practically failed, we have thought it worth notice here, as improvements may yet be made in fastening the parts together, so as to be easily detached when required, but with sufficient stiffness when joined to leave the vessel handy and seaworthy.

Our inventive transatlantic rivals have in some respects surpassed us in the application of machinery to shipbuilding

purposes; as we before noticed they had done in wholesale manufacture of furniture, &c. An American invention has recently been introduced amongst us which makes boats wholly by machinery in a manner fairly marvellous. Every operation, from first fashioning the timber to putting together the finished boat, is thus performed with perfect accuracy in the most workmanlike manner. What was before the labour of many days can thus be done in as many hours. And as all parts of any given size of boats are exactly of the same pattern, with the utmost truth, the parts of any boat fit all others of the same dimensions—thus affording immense facilities for repairs, rebuilding, &c. This principle may obviously be much extended to shipbuilding on a larger scale.

The increase of shipping has shown the necessity of securing the safety of vessels by every improvement in lighthouses, harbours, &c., for the maintenance of which tolls and dues are levied on vessels and their cargoes. These fixed charges recurring every voyage form, in many trades, a heavy tax on shipping; and much judgment is needed, not by excessive imposts to force traffic into other routes where the payment may be avoided, but to attract shipping by the security and facilities afforded at the cheapest rate. Here, as in all other taxation within certain limits, a reduced toll upon the maximum amount of tonnage often produces more in the aggregate than a heavier tax, which would only be paid by those who could not possibly avoid it. These dues and tolls are often much complained of by shipowners; but cannot justly be objected to where reasonable in amount, and properly expended in efficient service duly performed. Formerly our wrecked vessels were, as Falconer laments in his beautiful poem of 'The Shipwreck,' safer anywhere than at home on our own shores. Wrecks were deemed the lawful prize of the coast population, and the news of a vessel ashore was hailed with joy as signal for all to rush to plunder her. It is hoped that this revolting trace of almost savage barbarity amongst us is now confined to the worthless outcasts who prey upon society by every shape of depredation they can devise; and that even amongst these, increased efficiency in the rural police now makes the

crime, like many others, little more than a tradition of the past. The establishment of life-boats all over our iron-bound coasts, and the matchless skill and bravery shown in the rescue of the shipwrecked sailors of all nations, may be dwelt on with unalloyed satisfaction. In placing these boats on new stations, and in constructing harbours of refuge, much yet remains to be done to prevent the continual loss of life upon our shores, now fairly swarming with shipping in every direction. The possibility of foretelling the occurrence and direction of storms at sea, thus preventing vessels from running to almost certain loss, is daily becoming more usefully established; but space does not allow us to dwell on this interesting application of science to great practical good, which may be said to be yet in its infancy. Until very recently piracy was a serious danger in most of the seas traversed by English merchantmen. The Moorish and Malay rovers were long alike the terror of our seamen. Lately the employment of steam in our ships of war enables them to overtake the robbers ere they can escape in the intricate creeks and channels which were formerly their refuge. A trace of Moorish piracy long lingered in the coast near Gibraltar; but the Riff pirates had been destroyed before these pages were written; and now that the treaties with China and Japan are secured, the Eastern seas will soon be cleared of the miscreants there who have long been the scourge of our peaceful traders. No fitter employment can be found for our men-of-war in times of peace than the destruction of pirates, keeping our marine in active efficiency by useful employment.

In land transport our age has seen even greater changes than those made by sea since the earliest times. Great as the Romans were in many things, in none were they more so than in their road-making and engineering skill, and in the wisdom far in advance of their times, with which they conferred these benefits on the most remote parts of their vast empire.* Even at this

* It would have been well if England had followed this lesson. But the different times and circumstances under which our various colonies were formed, and the absence of all systematic centralisation in our institutions, have long prevented this. Lately, however, in all our

day in many instances we can only tread in their footsteps. Some of the most useful and best planned dykes and fosses, whereby a vast tract of land is secured from the sea in our eastern counties, are Roman; and little more in many instances has been done than to repair these works, and fit them for present use. Every traveller along our country roads comes now and then upon the track of one of those great causeways which were planned to radiate from Rome as the centre to the extreme bounds of the empire on all sides, the part covered by the sea being ferried over, as it were, by vessels from port to port, in one straight line of travel. Our modern roads can improve but little upon their direction, which often remains to this day a thoroughfare for traffic in one bold, unbroken line over the length and breadth of the land, from shore to shore, so massive in construction as yet to remain in places, showing the road as made nearly 2000 years ago. Our first grand improvements in internal communication, though recent, are now in a great degree superseded; yet the system of canals was in its day as great an advance upon the waggon and pack-horse as railways and locomotives are upon the barge and fly-boat. We must not allow the splendour of modern inventions wholly to obscure such names as Brindley and Telford, who by canals and improved roads increased the former speed of transit and means of transport as much as Stephenson, Brunel, Locke, and others have since done by the rail and engine.

Here even more than elsewhere science has aided and rendered possible these triumphs of mechanical and engineering skill. Without the guide and protection of the lightning we could not safely travel at lightning speed. Without the instantaneous communication throughout and from end to end of the longest lines of railway, afforded by the electric telegraph, no arrangements could prevent continual accidents, with

colonies, especially in India, we are making up for lost time, by opening channels of internal communication. It strangely happens that in India, the course of inventive improvement has often been reversed — the electric telegraph preceding the railroad, and the rail itself then following where common roads did not exist.

our enormous railway traffic and our present rapidity of motion.*

We have noticed the change which the invention of the compass, and the power thus given of crossing the ocean, produced in substituting the ship for the caravan, and replacing the desert by the sea as the high-road of nations, especially to the East. Latterly the increased speed gained by steam, by both land and water, has restored much of this traffic to an overland route; and the Red Sea, Egypt, and the Mediterranean are once more names of importance in our commercial intercourse with the East Indies. This is one instance of the way in which our recent scientific discoveries are changing many features of the traffic of the world; and the full effect of these wonderful inventions can only be developed by generations yet unborn.

CHAPTER V.

COST AND PROFIT

Our general view of the employment of labour and capital in production would be incomplete without some separate consideration of the ruling impulse which sets in motion and guides in their progress the working elements of the great hives of human industry. In all these toil and outlay, striving to secure a remunerative advantage, are the uniform conditions of active life. The same principle guides the husbandman who tills and sows his field, hoping to reap an abundant harvest—the manufacturer who works the raw material into all the necessaries and comforts of life, and the merchantman who brings home the riches of foreign lands over the wide deep. Each, if we so may speak, looks to the balance of his commercial ledger, compares his outgoings, or all he has paid or has to pay, which is the debit side of his account, with the

* The total receipts for the carriage of passengers and goods on the railways of the United Kingdom in 1861 exceeded 28¼ millions sterling.

proceeds or all he receives in return on the credit side. In the words of Holy Writ he 'counteth his cost,' and all over and above this that he can win by his agriculture, manufacture, or commerce, as the case may be, remains as his profit.

The principles upon which this important examination should be conducted deserve to be considered somewhat in detail. The outgoings or payments of every kind will fall naturally under three heads:—

1. Preliminary—all outlay to establish and provide means to carry on the business of whatever kind.

2. Current—all payments and expenses regularly recurring from time to time in carrying on the business.

And 3. Incidental—all payments, losses, and deductions which, though irregular in amount and time, are sure always to come sooner or later in some shape or other.

The first outlay provides buildings, machinery, implements, stock, capital, and all apparatus of every kind needful for the requisite purposes. This is mostly in part of a permanent character, and when once supplied, only requires to be maintained by repairing wear and tear, and by replacing what is used up, worn out, &c. A sufficient sum should be set aside for this purpose, and a calculation made of interest upon all the capital expended in this fixed outlay. A proper allowance should also be set aside where needful for whatever loss there may be in replacing this sunk capital whenever the business may be given up; which should be fairly divided into yearly portions according to the term the business may be expected to continue. In the current expenses—rent, wages, salaries, purchase of stock, materials, &c., which are continually expended and replaced from time to time, and all items of regular expenditure should be included. The incidental outgoings and deductions will be, as the name suggests, of uncertain and variable amount and occurrence—sometimes heavier, sometimes lighter. Loss by bad debts, or from anything damaged or spoiled by accident, lessened value of stocks on hand from any cause, &c., &c., and many other items of a similar kind varying in different businesses and employments. The proper

method of estimating this class of outlay, &c., will be upon the principle of insurance, already explained in detail. A sufficient sum should be set aside every year, or whenever the calculation of profits and losses is made, to provide for all these contingencies; and care should always be taken to have a sufficient amount on hand on this account to meet any unforeseen heavy demand. For though these demands, arising from accidental causes, may not occur in the year of which we take an account, the liability to them is one of the risks to which the business or undertaking is always exposed, and must fairly be provided for before we can really count up the actual profits of the year. If the concern is large enough to be able with advantage and security to dispense with insurance, bearing its own risks from fire or sea losses, as the case may be, careful calculation should be made that the insurance fund set aside to bear these losses, whenever they may come, is amply sufficient for the purpose, and maintained at this point by proper annual reserves of adequate amount.

Our chief reason for thus dwelling in some detail on the proper manner of computing nett profit, is the desire to show clearly the necessity of a sufficient reserve being always kept in the concern, whatever it may be, to provide for casualties of uncertain and irregular occurrence. These misfortunes, as they are termed, often ruin the improvident, who have consumed the whole of their supposed profits, leaving themselves without any means of meeting any unexpected contingency. Some system of computation like that here given is especially needful in these times, when so many men undertake the management of concerns with which they are unacquainted; and, if properly used, may help directors and others to make the careful calculation absolutely needful to enable them to say truly and honestly what profit, if any, has been earned in their trading.

This periodical balancing of accounts, at least once in the year, is, we trust, too general amongst all who pretend in any way to be men of business to need to be enforced by any recommendation here. But if any in the hurry of daily engagements, or from any other cause, omit it, let them pause a

moment to reflect at what risk they do so. Even the most cautious and sagacious man, when thus setting cost against profit and bringing his trading to an unerring test, will often find he has over estimated some gain, or is disappointed in some results. From learning the exact truth, he frequently finds that some change has to be made in his mode of doing business, or discovers the means of so concluding some transaction in which he is engaged as to escape loss he would otherwise have incurred, if not to turn that loss into a profit.

There is a general tendency in the rates of profit in various kinds of business to approach equality on the whole. The reason is obvious — those businesses that yield too little profit are deserted, and those yielding a rate above the average are crowded, until by the gradual operation of the law of supply and demand equality is restored by competition reducing the rate of profit where too high, and by freedom from this competition enabling the lower profit to be raised to the level. But in stating this as a general law, we must carefully avoid the errors already noticed as made by too many political economists in reasoning on the application of general principles to particular cases, viz. that of neglecting the conditions and circumstances tending to modify the influence of these principles, and thus preventing absolute uniformity in their operation. Though it is true that the rate of profits in all businesses and callings has a continual ultimate tendency towards this equilibrium, yet many different circumstances produce great variations in these rates; and these variations are in many cases of long or continual duration. One main difference often causing the greatest apparent inequality is, that in the permanence and security of the profits in diverse concerns and undertakings. Comparatively small profits, which are certain and regular, are generally preferred by the prudent and cautious to larger returns exposed to much risk and uncertainty. On the other hand, there are always numbers of ambitious and venturous persons who strive for the grand prizes in the lottery, undeterred by the fear of losing their venture. Most of the workers of mines belong to this class, of whom some become rapidly rich, whilst others are

wholly impoverished. Again, some undertakings require special skill and ability, or long training and matured experience; others need large capitals and continued operations for a long time ere the returns come round. It is clear that in such cases competition is much restricted by these conditions, and that the profits may in consequence be maintained above the average rate. This vantage ground may in some instances be further secured by a combined understanding amongst those in possession of this kind of monopoly to render it difficult for fresh competitors to enter into their business. There are, further, patents, inventions, improvements, &c., from which many of the fortunate possessors reap immense profits before they are thrown open to the public. From this hasty glance at some causes of inequalities in profits, it appears how difficult it is to fix in practice the exact point where the law of equality operates, and how many circumstances and conditions have to be considered in comparing the various profits of different businesses and undertakings.

As countries become more populous and wealthy there is a general tendency to decline in the average rate of profits — the result of the uniform operation of the law of supply and demand upon this increase of capital and men of business. This is sometimes counteracted by the energy and intelligence of the people continually extending their intercourse with foreign lands, and making discoveries and improvements at home. The social history of Great Britain since the removal of all restrictions upon trade is a most striking instance of the power of these counteracting tendencies continually applied upon the largest possible scale. But everything tending to make intercourse of every kind more rapid — the rail, steam-vessels, accelerations of letter-posts, electric telegraphs, &c.— all enable more business to be done in less time, and with less dormant capital than before. Hence a continual tendency to extended operations on all sides; actually enlarging the aggregate profits of men of business from their being on a far greater scale of operations than before, though less gain may frequently be made on each individual transaction.

It has often been affirmed by political economists that

where a large portion of the outlay is in wages to workpeople, as in agriculture, manufactures, &c., there is a continual tendency to decline in the rate of these wages as population increases, thus leaving more profit to the masters. It was argued that the continual competition for employment forced the workmen to accept less and less for wages from time to time, until they were driven down to the lowest amount with which their existence could be supported, when further decline of course became impossible. Thus the labourer would gradually fall to the lowest point in the social scale. Thank Heaven! this state of things, only possible in those times when a nation is decaying to ruin, is far indeed from being the case in our country. No condition of any people could be fancied more dangerous, unsound, and in every way deplorable, than such a degradation of the valuable class forming the very bones and muscle of the body of society. In our next chapter, discussing the relations of masters and men, the question of the decline and advance of wages will be further considered, when it will be seen that where the conditions of a country are prosperous the class of labourers shares that prosperity with all other classes, and wages have a tendency to rise rather than fall, even though population may increase rapidly. This pushing of an abstract proposition to an extreme conclusion is one of the class of errors noticed before, and of which many will be encountered as we proceed further, leading too often in the end to paradoxes and fallacies. Some remarks on profits, especially applied to commerce and speculative adventures, will fall under the proper heads in a further part of this treatise.

The general wealth of a country is built up by the accumulation of individual profits, which can only be largely increased by the greater part of the community being profitably employed. Fortunately this is in most cases secured by powerful guarantees. The strong stimulus of self-interest imparts considerable average wisdom to those in pursuit of gain. Mistakes, it is true, are made from time to time, and large consequent losses are frequently incurred; but the general progress in our country is onwards to increased prosperity, and that very rapidly. The cases of individual failure are, on

the whole, few and insignificant compared with the mighty aggregate of continual individual success. This interesting subject will be further pursued in the fourth part of our Handy Book.

SECTION III.

MASTERS AND MEN

CHAPTER I.

WAGES, TRIBUTE, TASKWORK

HAVING considered somewhat in detail capital and labour engaged together in the work of production, we proceed to review their relations to each other in the present state of social intercourse. In our rapid sketch of the formation and progress of society from the earliest times, labour was found to be the origin and measure of value; whilst capital is the produce of accumulated labour stored up for future use. But the reader was then warned that from the time when capital appeared as the large—almost the sole—employer of labour, it must be viewed as having a separate substantive existence, and that labour thenceforward was placed in an accessory, and, of necessity, somewhat dependent condition. Our review of this state of things commences with the various modes in which the labourer is paid for his work. His earliest appearance in history is compulsory as a slave or bondsman. The heads of tribes and families compelled their subjects and dependants to labour for them, and made slaves of all others whom they could kidnap or subdue in war. Then came the hired servant, and, as population increased, craftsmen and labourers became a separate, independent class, as they exist amongst us in our own day. It would far exceed our limits here to trace the degrees in which this independence has been

maintained at various times and in different countries. As our readers are well aware, much slavery yet exists in its worst forms amongst nations calling themselves civilised; and a more modified degree of bondage often marks the condition of the labouring classes in many lands. But the tendency of our times is clearly and strongly in favour of setting free the bound; and the beginning made by England in emancipating the slaves in our West India colonies has borne *, and is daily largely bearing the fruit of good example.

It would be a discussion of the greatest interest and importance to examine, in all their bearings, the effects of the institutions of slavery upon the individual and national prosperity of the countries where they exist. This, however, would be far too wide a task for our limits, especially as ample space must be reserved for the labourers in our own land at the present time. It may be sufficient generally to remark that when every part of this important subject is fully considered, we shall, on every account, have reason to rejoice that England has been found on the side of freedom and justice. One consequence of the employment of slave labour bears particularly on the subject of the present chapter. Where at all general, it prevents all payment of money wages, and drives free labour wholly from the field. For as the slave receives nothing for his work beyond his food and clothing, the payment of wages is so wholly an unusual exception, that when offered at all, they are below the rate on which the free labourer can exist. No free man who has any power of choice will be a labourer in a country where all, or nearly all, his fellow-workmen are slaves, and the free class consists of masters alone. He will not sink to the level of a companionship but little raised above the lowest beasts of burthen. Therefore, slave labour drives out all free labour, except the lowest worthlessness and poverty which cannot get employed elsewhere. Hence, as unless the lower and middle classes are prosperous and contented, there can be no real permanent national prosperity: slave countries

* The gigantic Empire of Russia at this moment frees the serfs of almost a quarter of the globe! All good fortune attend the Emperor, who ventures on this wise and benevolent change.

decline, whilst free lands continually advance in population and improvement.

The division of labour has been noticed as the first great active cause of social advancement, by immensely increasing the working power and wealth of the community. It is again here referred to, because it is equally the origin of the employment of labourers and of the payment of wages. In fact, with the division of all work into parts, and the apportioning each to a workman at a fixed rate of remuneration, the regular payment of wages may be said to commence.

The modes in which wages are paid may be grouped under three heads: hire with keep, share of produce, and money wages. Of these forms, the two first are in their nature best adapted to the earliest stages of society and to newly-settled countries; though in some degree to this day existing amongst us at home. Where the labourer has no means of providing food and shelter for himself, he must, of necessity, be boarded and lodged by his employer; and where, from its scarcity, money seldom passes from hand to hand, payment in kind, that is, by part of the produce of the work at the farm or loom, &c., is often the only mode in which wages then appear.

Until very recently, journeymen most frequently, and apprentices almost universally, were lodged and boarded by their masters in England, as they yet are in many parts of the continent. But in our times, this forming, as it were, a family or household of the manufactory or workshop, has fallen almost wholly into disuse, and even the practice of boarding apprentices is greatly on the decline. In farming also, where the custom formerly was all but universal, of the labourer, when unmarried, boarding with his master, and working for an additional hire, this payment has generally been replaced by full money wages, leaving the labourer to support himself. The causes of this change are principally the same as those leading to the decline of associated guilds or companies of tradesmen, &c., as they existed in the middle ages. All the tendencies of the present time lead to independent individual action and responsibility, as far as they can be carried in the

present form of society. Some of the effects of this change will be considered when the social condition of the country comes under review.

The form in which the payment of wages in kind yet remains amongst us is principally in mining, where a portion of the workmen are paid by what is called *tribute*, that is, by a certain agreed proportion of the ores they raise. This proportion is not paid in the ores themselves, leaving the miner to turn his share of the produce into money; but in current coin, exactly computed to represent its value. The same causes which were noticed in a previous chapter, as producing the difference between rents and royalties, are the foundation of this form of payment of wages to the working miner.

In the search for metals all is a speculation, or, as it is called in the mining vocabulary, an adventure. Even when all seems most promising in appearances, it may turn out on actual working that sufficient metal to return a profit, or even to pay the cost, cannot be raised. Therefore, all concerned share the chances of loss or gain. The lord of the soil risks his royalty, the adventurer his capital, and the working miner his wages. It is clear that on this system worthless mines must be soon abandoned, for the workmen cannot labour without the means of subsistence. Though this arrangement seems the necessary effect of the nature of the employment, it leaves the labourer in a very unsatisfactory position. Whilst others risk revenue or profit, his very subsistence is at stake. Without some savings of his own, or help from his neighbours by loan or otherwise, he runs the risk of starving when the mine he works in has a run of bad fortune. The principle of insurance, traced in a previous chapter, must here be worked out in some shape to enable his occupation to be carried on. Some considerations which will follow on the effects of making operatives partners with their employers apply here; though in this case, as we have remarked, the partnership is almost unavoidable, and does not upon the whole act unfavourably. The miners as a class are a thrifty, skilled body of workmen, fond of their occupation. Any considerable exceptions to this character will mostly be found in iron mines and collieries where there

is comparatively little uncertainty as to the amount of produce, and where large earnings for hard and unpleasant work tempt the men to improvident indulgence, deprived of the check afforded by the danger of their labour becoming suddenly unremunerative.* Where this danger exists to any extent, without much saving and self-denial in prosperous times, the miner never could live through any considerable stoppage of his earnings.

The payment of wages in money is the mode now so universal in our country that money wages are always understood when wages are mentioned, without further explanation. Two several modes of computing these are in general use, according to the agreement between the master and his men and the nature of the work, viz., piece-work or task-work, where so much is paid for a fixed amount of work done, and day-work, where the wages are reckoned at a daily rate for every working day. Task-work or piece-work is generally adopted in many departments of large manufactories. It is also employed in some cases where the workman carries on his labour at home, receiving raw material or incomplete articles and returning the finished work. This class of employment is often the last existing trace of household manufacturing, now almost wholly superseded by machinery and large factories. The workman at home is too generally in these cases in a very pitiable condition, labouring almost night and day to secure a bare existence. This class have clung to their old habits of work with mournful pertinacity, though their earnings have continually diminished, as improvements enabled greater economy to be introduced in many manufacturing processes. It is to be hoped the few yet remaining will soon emigrate or find other more lucrative employment. In large manufactories, where

* Payment of wages by tribute only applies to a portion of the work of the miner. All preparing the mine for digging out the ore; the formation of shafts, galleries, &c.; the erection and working of steam engines, &c. — all, in fine, generally included in their expressive term of dead work (or technically called *tutwork*), is paid for either by the day or as taskwork. The adventurers about to prove a mine generally subscribe a fund at starting for these purposes.

those paid by the piece are highly skilled hands, they are able, when diligent and fully employed, to earn the highest rate of wages; but the same mode of computing earnings is also sometimes applied to the lowest routine operations, in which the rate of payment is at the bottom of the scale. The payment by task or piece-work is also in use by contractors in railway work and the like; but it seldom extends below the sub-contractor, who takes a portion of the contract from the contractor-in-chief, and pays the men he employs day wages.

The payment of wages is, with some few exceptions, weekly, and in cash, except where masters have taken advantage of the poverty of their men, and used their power to rob them of a portion of this money payment under a system of providing them with food and clothing on credit and stopping the amount out of their wages. This credit is in such cases given by shops in which the masters have an open or concealed interest, and where the oppressed labourers are too often compelled to pay exorbitantly for bad articles. From this injustice the law has endeavoured to protect the workmen by declaring all such stoppages illegal, and enabling them to recover their full money wages by applying to a magistrate. But this protection, like many other attempts to regulate the dealings between man and man, has been only partially successful. The law is in many cases evaded where the good feeling of the master and the demand for skilled labour, which are the natural and effectual safeguards of the workmen, do not exist. Combinations of the men, as a remedy for this and other grievances of which workmen have to complain, will be more fully discussed in a separate chapter. Some examination of the causes of variation in the rates of wages, and of the proper mode of comparing the earnings of different employments, will close this branch of our subject.

It was shown in our first part that in the earliest stages of society, when all value was derived from labour measured in day's work, little difference existed between the value of different kinds of labour computed by this unit of value, or starting-point (to explain the phrase) in calculating the worth

of anything. The work of two days was double the value of one day's work, and so on. And the absence of any division or classification of labour was given as the reason of this uniformity of value; much of the time of every man of superior skill being taken up in simple, rude tasks, which inferior hands could perform; and all mixed together in the day's work. But the first introduction of the division of labour classed the workmen as well as their employments. From this point the rate of wages begins to vary, and the day's work has different values at different times and in different employments.

It has often been assumed in considering the fluctuations to which the rates of wages are liable, that they continually tend towards a decline, and that this would continue until wages reached the lowest point at which the workmen could support existence, where further reduction obviously becomes impossible. This conclusion was reached, as has been previously remarked, in considering cost and profit, by calculating the continual increase of population, which it was supposed went on much faster than any demand for labour could follow. Hence it was concluded there must follow a continually increasing competition for employment, which would leave the workmen wholly in the power of their masters, who could thus reduce wages to the lowest point, knowing that the men must either take what they offered or starve. This, if true to any extent, would be a most melancholy and miserable state of things, and would rapidly bring about the decline and degradation of our country; the strength and prosperity of which are based upon the working classes.

That in certain districts, and in some particular employments, wages may at times be reduced much below their proper level by the number of men seeking employment far exceeding the demand for them is, unfortunately, true; and instances of this kind will, we fear, too often recur in all large and populous countries, however prosperous. Certain trades or manufactures decline or change their locality, or a country population — ever slow to move in any direction — increases for awhile in some districts more rapidly than full employment can be found for them in their neighbourhood. But this is

very far, indeed, from being such a glut of population as pressed down Ireland, some few years back, to a depth of wretched misery, where labour at last became of no value, and money wages could hardly be said to exist. It would not be difficult to give many obvious causes for that deplorable state of things, had we here space for the purpose. The condition of that country, thank Heaven! has, since those days, far improved, and is still improving rapidly.* Nothing resembling this abyss of degradation has been possible in England since trade and agriculture have been left to expand in their natural course, freed from all restraint of protection or prohibition. Such wholesale wretchedness can only be found where enterprise and capital do not exist to supply the funds whence wages are paid. This was the case in Ireland during the miserable period just mentioned. As soon as the hindrances which had long prevented the introduction of capital and enterprise were removed, Ireland soon increased in wealth and prosperity, and the rate of wages regularly rose in proportion. Here we see the true solution of the difficulty. The continual tendency of population to overtake the means of subsistence is prevented from reducing the wages of labour to the lowest point, by the accompanying increase of employment from the growing wealth of the country—by the extension and improvement of tillage, largely expanding the productiveness of the soil—by new improvements and inventions daily requiring more hands as fresh trades and manufactures rise into existence and old ones expand, and by continual emigration to new countries capable of absorbing almost any amount of labour. Theorists would, indeed, tell us that all this has its limits, and that as population steadily and continually increases, it must in the end crowd up the whole world, until all, like passengers by sea on a long voyage, have to be put upon reduced rations. This, however, is a merely fanciful speculation of no practical utility. This extreme limit, if ever reached at all, cannot arrive at any period within the range of useful calculation. Indeed, for the

* Yet it was from Ireland that the advocates of the over population theory drew what they deemed the most unanswerable proof of their conclusion.

last hundred years the resources of mankind (in our own country especially) have increased at a rate far exceeding the rapid increase of population. We have occupied new fertile colonies, having ample space for our surplus population for centuries to come, and have at the same time immensely increased our means of procuring food at home; so that we are now actually less crowded than we were when our population was only half its present amount, and the rate of wages, when the comparison of the purchasing power of money and the different real values of the money payments are fairly adjusted, will be found to have greatly advanced in the same interval. That the real causes of apparent surplus population are almost universally the poverty and degraded condition of a people, rather than the inability of the land to maintain them, is strikingly shown (if the forcible example of Ireland, just noticed, were not sufficient) by the condition of savage tribes. They continually suffer famine, and perish for want of subsistence in fertile lands, even when their numbers are so few that the soil would support above ten times as many civilised people in comfort and affluence. These surplus population theories were mainly put forward, and attracted much attention, in times when our land was suffering from the misgovernment and erroneous system of legislation we have so often noticed and condemned. Therefore, whilst the rapid increase of numbers, which was palpable to all eyes, was reasoned upon, due weight was not given to the counteracting influences we have noticed, which were not then developed, and of the gigantic power of which no man in those days had the remotest conception.*

The same mischievous meddling of law makers, which was noticed in treating of interest and usury, was long active and

* Our census of 1861 shows an increase of 82 per cent. upon the population of the United Kingdom since 1801, notwithstanding the almost wholesale depopulation of Ireland in the years of famine, and by the emigration which followed, and has steadily continued up to last year, when the exodus was checked. Nevertheless, our population of 29½ millions of people at this day are far better off than were the 16 millions of our people at the beginning of this century.

injurious in all the relations of workmen to their employers; and frequent regulations fixing the rate of wages at different times, as well as to prevent the workmen from removing from district to district, and from combining to demand higher wages, disgraced and encumbered our statutes. All the scope of these enactments was to deprive the labourer of all power of obtaining better pay than his masters, the lawmakers, chose to give him, and to compel him to toil at these statute rates—leaving him, in fact, in little better condition than the slave. These oppressive and obnoxious laws have all been long repealed. A juster and kindlier feeling for the workman, and a truer estimate of his high importance in the social scale, have swept away this legal tyranny; whilst it has latterly been clearly understood that all attempts of the government to interfere in preventing men from bargaining together for labour as freely as they would for any other commodity, either are wholly ineffective, or, if they have any influence at all, are productive of nothing but injury to the real interests of all classes.

Nevertheless, the great evils of continual struggles between masters and men as to the rate of wages are manifest. Unless some permanent settlement is agreed upon, this continual strife, as will be seen more fully in a following chapter, unsettles the trade or manufacture where it exists, and may end in the business being wholly transferred to another district or country. Extremes of high or low wages have consequences equally ruinous. It is obvious that above a certain point the master cannot pay them and profitably continue his business; and, on the other hand, that below a certain limit the workman cannot live, and must leave his work. Between these extremes the rates of wages fluctuate. Some causes affecting these fluctuations will now be briefly noticed; those depending upon changes arising from machinery being discussed in the following chapter. It may, however, be here generally remarked that though the introduction of machinery may for a time throw out of work the hands it supersedes when first used, and thus reduce wages by causing the supply of labour for a while to exceed the demand, it is always followed in the

end by a large increase in the numbers employed in the trade or manufacture where it is adopted. Consequently not only larger payments of wages follow, but the tendency is to restore the balance before disturbed between supply and demand in labour, and to recover any decline there may have been in the rates of wages, if not to cause them to rise above their limit before the machinery was introduced.*

The division of labour has been mentioned as the starting point and first cause of different values of a day's work. Each man is thus classed as is his employment. In the lowest rank the supply of labourers is almost always abundant, and every one wanting work can compete for employment which any one can perform; so that one or other will offer to work for less than has before been given, until the wages of this class are reduced to almost their lowest point. But very different is the condition of the skilled workman. When he has reached a certain rank of ability, the number that can compete with him is so far reduced that he finds himself able to choose his master and obtain the highest rate of wages that the employment can afford. Thus the principle of supply and demand affects the rate of wages, enabling the masters or the men to have the advantage in the bargain, according as labour of the kind sought is more or less abundant. It is, however, alike the interest of the masters as of the men to reduce these risings and fallings in the rate of wages within the narrowest possible limits of fluctuation; and for this purpose combinations of masters are formed in many trades to keep wages steady; whilst, on the other hand, the men combine for the same purpose and to protect their own interests. As these combinations will soon be separately discussed, we need only here remark upon their general influence in controlling the fluctuations of wages in many employments.

* In estimating the dearness or cheapness of labour, the amount of a day's work, as well as rate of wages, must be considered. A general rule holds true here: what costs little is worth little. Slave labour is often the dearest of all, and the superior amount and excellence of an English day's work, often render higher wages here cheaper than lower rates abroad.

The rates of wages appear, at a first view, to be widely different for various kinds of work. Much, however, of this apparent difference depends upon the different natures of the employments compared, and many things have to be considered in adjusting the balance, to decide how much one may be higher or lower than another. Many writers on this subject tell us that, when these adjustments have been fairly made, the rates of wages will, upon the average, be nearly equal in all employments; because workmen will leave those trades where wages are below and flock to others where they are above this average, until by the law of supply and demand the balance of equality is restored. But this is only partially true, except in extreme cases. There is an extraordinary tenacity in many classes of workmen in sticking to their employment, even when it does not pay so well as many other trades. Again so many things have to be taken into account in fixing the scale by which the wages of different employments can be compared, that the average, taken in most cases, is little better than a rough calculation, quite unfit to determine, with any nicety, in what degree any given rates of wages are higher or lower than others, when all things are fairly considered. The length, difficulty, and expense of the training required — the amount of property necessary for tools, &c. — the particular acuteness, skill, and dexterity of mind and hand, or the bodily power, which may be indispensable — the liability to interruption from weather, &c., and permanence or fluctuation generally — the danger or unpleasantness — healthiness or otherwise — amount and length of day or night work, and many other things are so entirely different in different employments, that hardly two persons, however equally competent to decide, could be found to agree exactly what rates of wages, in many different cases, would, on the average, be equal one to another. Practically, therefore, the rates of wages in any particular employment are adjusted by masters and men with but little reference to the rates of other trades, except in extreme cases of difference, where a rise or fall in any occupation may be too great not to have an immediate influence by the palpable advantage offered

by some change of employment, overcoming the reluctance of the workmen to move from one trade to another.

We cannot close this chapter without repeating that on the improvement of the working classes in morals and education will mainly depend their power of maintaining wages at the highest rates which their masters can afford to give. They will, by their sound accurate knowledge of this vital question, be alike prevented from demanding what it is not possible they should succeed in getting, and from submitting to work for less than they are fairly entitled to receive. And their improvement in sobriety and providence will keep them above that depth of poverty which leaves the workman helpless in the hands of his employer. They will even, if absolutely needful, change place or employment, or emigrate to another country sooner than be reduced below their fair standard. We have before said that, after all deductions have been made, England may fairly be proud of her working men, and that they are the mainstay of the glory and prosperity of our country. It is one of the most cheering features of our times that these truths are daily better and better understood by the middle and upper ranks, and that successful kindly efforts are continually made to encourage good feeling between masters and their men, and generally to raise the labouring classes in the social scale.

CHAPTER II.

MACHINERY AND HAND LABOUR

In our review of labour in the earliest stages of society, it was remarked how little the hand could perform unaided by some tool or implement. The bodies and limbs of various animals are admirably suited each to the life for which it was created by giving them the needful means to procure food, and in many instances to build a habitation. For these purposes weapons and implements of war, of the chase, of husbandry,

and of many of the arts of life, are found in the teeth, claws, beaks, limbs, fins, wings, or muscles of beasts, birds, fishes, and insects.

To man, the Creator has given invention and combination to adapt to his varied wants implements of various kinds, each fitted for the task which he desires it to perform. His hand—prehensile and plastic—grasps each in turn, and lays it aside when no longer required; whilst his ingenuity continually improves and increases his store of these important aids to his labour without which, as we have remarked, the hand alone would serve him but poorly.

It is not without design that this chapter begins by recalling the origin and importance of tools and implements; for machinery, which has now to be considered in connection with hand labour, is but the last stage of this process of supplementing the natural powers of the hand. Tools and implements combined and improved are machinery; and much of the erroneous reasoning which has been vented by many who ought to have known better, about the effects of machinery upon the condition of the labourer, would have been avoided if this fact had been kept steadily in view. It is true that machinery, as we have before remarked of capital, undergoes in this last stage of perfection many changes from the conditions in which it originated. But the real nature and scope of these changes can only be rightly understood by clearly keeping in view what machinery was in its origin, and carefully tracing their progress from that state to the condition in which we examine it. This is the more essential as these changes are gradual and progressive; and we find machinery in use at the present day of every kind and degree, from the point where it is merely an improved implement to the wonderful combination which performs with precision the task of the skilled and intelligent workman, as if, like him, it was really directed by a mind. This high stage of development has been only reached since the application of steam as a moving power. The forces of animals, wind, and water have been used by man from the earliest times, and are well fitted for many purposes. But all the machinery driven by these rude moving powers is

capable of comparatively little improvement. Measured against the elastic speed and might of steam, their best efforts are left as far behind as the ass would be in trying to overtake a fleet racehorse. Passing from the successive improvements which have made steam power what we find it in our day to the gradual development of the machinery it impels and from a highly improved implement to its present perfected state, we at once remark some leading differences in its use and effects. Machinery accumulates and employs force in any desired manner, thereby doing many things which the direct strength of men and animals, however numerous, could never perform. Otherwise employed, it produces by the myriad, articles each the exact counterpart of the other, which could not be so exactly made by any amount of handwork of which we can form a conception. In its highest stage of development it can be so adjusted and directed as to perform almost any work of which man is capable — even the most delicate and difficult tasks that can only be executed by workmen of the highest skill.

Each of these forms of machinery has at different times been denounced as an injury to the labouring classes. But it is only of the last and most perfect description, viz. what may be called the self-acting workman, that any serious complaint would be made at the present day. Workmen of every kind have been too long habituated to employ and profit by machinery of the two former classes, not fully to understand their value and use to themselves as well as to their employers. They would now no more dream of turning from the factory each to his former hand tools, than of trying to dress and shape wood with an axe only, throwing aside their planes and chisels. This consideration shows us the key to the whole question of competition between machinery and hand labour. It is almost, if not wholly, a question of time. Many parties are affected, and some too often ruined, when any change is made. The use of beasts of burthen, where men were formerly employed — any improved tool or process enabling a man to do in one day the former work of two or three days, or one man to do the work of two or more — all for a time injure some one who is thereby rendered

useless by depriving him of his former means of subsistence. This process is continually going on as time advances and societies improve in the arts of life. We cannot fix upon any period in the past free from its influence. We cannot look forward to any point in the future where it will cease to operate. Yet this onward progress of the wave of improvement, though continual, is not uniform. When it proceeds slowly and gently, those who are injured are so few that they are able to creep into some vacant corner or other, in the vast hive of human industry, or are too scattered and feeble to make their voice of complaint heard. When on the other hand whole masses are overwhelmed by the floodtide of some vast change or invention, a great cómmotion is raised, which often proceeds to unlawful acts of turbulent violence.

Those who are on such occasions loudest in blaming the ignorance and lawlessness of the working classes, are generally very unjust and inconsiderate. Liberal as we all are in theory — ready to make any sacrifice of our neighbours for the good of the community, we do not see, even at this day, any class prepared to give up its own interests. The wealthiest and best informed — be they landlords, merchants, manufacturers, shipowners, or belonging to what are called the liberal professions — each, one and all, fight to the death to resist any change from which they fear injury, and every one, even when admitting the general theory of free competition, cries aloud for protection for himself, and pleads some exceptional case for defending his own private interests. Yet these very men demand more than human patience and forbearance from the working classes, when all that enables them by constant toil to support their families is threatened with destruction. Any attempt to reason justly on questions of magnitude and importance must be made in a very different spirit. Unless we can to some degree succeed in putting ourselves in the position of the workman as well as of his master, and fully consider both sides of the case, there is small chance of our forming any correct conclusion on the matter. Dependent on his daily wages for support, the workman feels any change affecting these to be to him almost wholly a question of

to-day. He cannot afford—even supposing him to be more generous and self-denying than far wealthier classes are—to look many months, or perhaps even weeks ahead. It little concerns him that his own class may in the end be gainers by a change if that change immediately ruins himself and his family.

Therefore it is idle to accuse him of short-sighted ignorance or selfishness in looking only on the near and pressing consequences to himself when the question is almost literally one of life or death. We must first, therefore, practically consider the immediate operation of fresh introductions of machinery upon the wages and condition of the hand workman, before passing to a wider view of their general influences on masters and men.

The first effect upon hand labour of such introduction is always the same in character, but differs in degree, and in its bearing on the condition of each individual workman in almost every separate instance. The invention, if successful, mostly performs some kind of work cheaper or better than it was before done by hand. Sometimes this is effected by imitating the process formerly used by the hand workman, and producing exactly the same article. In other cases a new process is introduced, or a novel article is made, wholly or partially superseding the old one. The first case generally throws more hands out of work than the second. It may even often happen in the latter instance that the extension given to a manufacture by the improvement may at once employ all the hands directly thrown out of work, or more. This is the only case in which the workman does not at first contend against the new machinery whenever he has the power. Open force, though less used from day to day as the working men increase in intelligence and the law is better maintained, yet unhappily is still sometimes employed. The cases in which the workman, even supposing him to succeed in escaping punishment, can ever gain anything by rioting and destroying machinery are few or none. Perhaps it may have sometimes occurred that the determined opposition of the men has succeeded for a time in preventing change in some particular manufacture or place. But in such cases this has almost always been effected by com-

bination, in the manner described in the following chapter, keeping within the pale of the law. Turbulent violence, even when for the moment apparently successful, has almost invariably driven the master to another district, or caused him to give up his works, sometimes thus wholly or in part destroying what may have been the staple business of a town. The intelligent workman is well aware that driving away the capital by destroying the profit of his master is cutting off the fund of his own weekly wages. Therefore, looking at the case in what we have said is the practical point of view as the question of to-day, he clearly sees how hopeless are his chances of keeping things as they are by open violence. How far he can avail himself of a far better weapon, combination, is a question for mature deliberation. This will be differently answered in almost each special case, for no two are exactly alike in all their circumstances. The condition of the trade or manufacture at the time of the proposed change in other countries and districts, as well as the one affected, both as to competition and relative prosperity and profit, should be well understood and carefully weighed; for, supposing the workmen can secure by combination the power of dictating whether the machinery shall be introduced or not, upon this condition of the trade will depend their chance of any permanence in their former position. They are only likely to find their master willing to give up the proposed change and go on in the old way, when he is making good profits; and though he may have thought the alteration desirable, is doing too well to have much motive for disturbing or risking his present prosperity. We fear, however, it will too generally happen that the employer, in these times of improvement and competition, finds the change forced upon him, and cannot continue profitably to pursue the old system. In this case, if he cannot defeat the combination of his workmen, he will give up his works. Even supposing the times to be so prosperous that at present he can go on making profits, and that he yields to his men and leaves things for awhile as they are, the intelligent workman will see that his employment is imperilled, if not doomed. He has only succeeded in deferring for awhile the

evil day; and sooner or later the competition of other places or varying circumstances of trade will certainly introduce the improvement he has for the moment put aside, for motion onwards is the only condition of prosperity in our days. The stream moves with such mighty force that all must go with it; and he that vainly tries to stand still in the mid-current is soon overwhelmed and drowned. Therefore, even in the case where the men by combination succeed in their object, they only do themselves good when they use wisely what may be termed the breathing-time they have thus gained, and prepare for the future. If they fail in keeping away the machinery by their combination, of course they have only made bad worse, by wasting any little funds they had just when they most need them, and by getting into a quarrel with their employer when they most want his help. It should therefore only be with great caution, and after much consultation amongst the oldest and wisest of their class, that the workmen decide to offer resistance to any introduction of machinery by means of combination.

The only other resources of each when losing work are to be found in the help of his wealthier neighbours and his own savings, if he has been able to make any, for support of himself and family until he can procure employment at home or abroad. He should not be prevented, by any false shame or squeamishness, from seeking this help as soon as the necessity arises. The worthy self-reliance and proud independence which are amongst the noblest features in the best part of our working-classes need not be wounded in a case like this, nor should they deter him from looking to his fellow men for help in a misfortune which has overtaken him by no fault of his own; and it is the duty of his countrymen to give him all the sympathy and aid in their power. Whether he should remove to another place, seek a change of employment, or emigrate to one of our colonies, will depend upon the particular circumstances of each case. A man of energy and resolution will seek the best advice and assistance he can procure as soon as he has certain warning that loss of work will overtake him, instead of waiting till the extreme of want renders himself and

his family helpless. But all changes which throw many hands out of work will always, do what we will, produce much misery and privation; and every case of this kind appeals forcibly to the benevolence of all who have any power of alleviating its ruinous consequences.

Many of the general effects upon the conditions of masters and men, of continual improvements of machinery, will be obvious from the previous remarks. We have seen the immediate influence on daily work of this ruling element of continual progress; and it is apparent that the master must also feel it in a considerable degree. When from want of capital, or any other cause, he cannot adopt the improvement sufficiently to replace his loss from the machinery which has been superseded, and becomes almost worthless, he is often ruined and forced to give up his business. In the aggregate, however, each successive improvement immensely extends the whole trade or manufacture to which it is applied, as will at once be seen by comparing the amount of capital and number of hands now employed in the cotton or woollen manufactories with what they were twenty years ago. This extension is as apparent in each individual establishment as in the total number of the whole. One of the large works of our times is a little town in itself; and with judicious management, much economy and many other advantages are secured by thus employing capital and labour on the largest scale.

It has been objected to the minute subdivision of labour required by this system that each man becomes merely, as it were, a single cog or wheel in the vast machine — no more able to turn his hand in case of need to anything else than a part of the machinery would be. This is only true of the very lowest routine portion of the labour, where no great intelligence could be expected in any state of things from the kind of hands thus occupied. In all the higher departments of manufacture the continual familiarity with operations of magnitude, and with an admirable system of arrangement, are excellent mental training for the men, however employed. Those who have seen much of this class of men in our large works will admit their high general ability of hand and head.

The advantages following the removal of all restrictions on the export of machinery have already been sufficiently noticed. The manufacturing superiority of Great Britain does not depend upon any monopoly of secrets, but on our local advantages, and on the ability and industry of our masters and workmen keeping far ahead of all other countries by continual improvements, which are successively superseded here by the time they get fairly into use abroad. Thus we are never overtaken; the closer we are pursued in this race of competition, the more rapid is our onward progress.

CHAPTER III.

COMBINATION OF MASTERS AND MEN

A FEW general remarks on the relations subsisting between workmen and their employers, will properly introduce the important subject of trade combinations.

Our two last chapters have noticed the limits and some of the causes of fluctuations in the rates of wages, and have dwelt upon the fact that to the men these changes are a question of comfort or starvation—it may literally be said of life or death: When we consider the large proportion which the amount paid in wages mostly bears to all the other outgoings of the master, it will be found that to him also the rate of wages is a matter of vital moment. Upon the cost of a given quantity of work will frequently depend all his profits — even his power of continuing his business without ruin. Therefore, the arrangement of wages, though a mere matter of business bargain, which on a cursory view would seem no more likely to cause ill feeling on either side than any other transaction between buyer and seller, frequently assumes with workmen and their employers the character of an embittered strife. Each party is often continually on the watch for some chance of getting an advantage over the other. The master accuses his men of unreasonable dictation and of demanding what cannot

be conceded without ruin. The men complain of unfairness and of cruel attempts to reduce their wages below the lowest point of subsistence on the part of their master. And these differences are envenomed by the knowledge each has that the other cannot do without him, and that their agreement, upon some terms or other, is inevitable. The master can as little keep his works open without men as the men live without their wages. So each side fancies that resistance to the other carried far enough is sure to conquer in the end.

Much well meant but feeble nonsense has been written upon this subject by parties benevolently seeking the good of the workmen, and desirous to bring about their agreement with their masters, but utterly ignorant of the real relations between them and their employers. It is, above all things, to be desired that this agreement, with good feeling on both sides, should exist, and be encouraged for the benefit of both. But for this the only sure foundation is in a thorough understanding by the master of the position of his men, and by the men of the position of their master. Each side will then see the vital necessity of settling all disputes between conflicting interests of such magnitude if possible without the slightest angry feelings an either side. The arrangement will too often be difficult enough with all the temper each can command. Each party ought to be thoroughly well aware that a question of this kind is one over which they cannot afford to quarrel.

The well-meaning people before-mentioned, feeling deeply for the workmen, often bring these feelings to bear on the master with all the force in their power, wholly overlooking the fact that to him as well as to his men the rate of wages he pays for his work is, as we have remarked, a business matter of almost vital import. These wages cannot be fixed by sentimental considerations any more than any other question of buying and selling. It is clear that any man who bargained in important concerns by mere impulse of his feelings, however humane, would run great risk of being speedily ruined. We have dwelt upon this error, fearing that these well-intentioned writers have often done much injury to the cause of the very men they were seeking to defend. As

before remarked, the whole question of wages is of far too vital moment, especially to the workmen, to be thought upon by them with heated or wounded feelings. Their calmest, best judgment, is needed to avoid mistakes in deciding where their error may prove their ruin. And there is, unhappily, too much irritating matter in the subject itself, without any addition from the ill-judged heat of their uninformed advocates; especially when that heat fervently expands the very passions rising in their own breast to take away their cool good sense at that one moment of their lives when perhaps they need it most. Small indeed is the chance of a working man arranging prudently any difference with his master when, half-frenzied by supposed wrongs, he fancies he is dealing with the cold-blooded oppressor of himself and his family. As we have before pointed out, the truest friends of this man are those who enlighten and help him in understanding the real condition and relations of his master and himself, and point out to him the only way by which he can succeed in keeping his position. We trust there is from day to day some increase of the knowledge of our working men on this and many other important matters. On this increased knowledge and on their moral character, their welfare and standing wholly depend.

Hardly less unfortunate is the effect upon the masters of the heated one-sided advocacy just condemned. Though, as we have said, they must bargain with their men for wages on business, not sentimental considerations, yet it is far best and happiest, both for the workmen and themselves, that this be done with kindly good feeling rather than in a spirit of hostility. What chance is there of their bearing without irritation heated appeals to their men founded on accusations against themselves of which they know the folly and falsehood? They always think (often with justice) that half the difficulties about wages arise from wrong views and want of information on the part of their workmen. And here they find people who have nothing to do with the matter, and are far more ignorant of all its real bearings than the men themselves, thrusting themselves forward with glowing style and

strength of words, if not of wisdom, to inflame the very mistakes and prejudices which form their greatest obstacles in bringing about the desired settlement. Can it be wonderful if (though as a class they are far less excitable than the workmen) such obtrusive mischief-making, especially in a spirit so unjust to themselves, often irritates the masters just when they should be cool in judgment and as considerate to their men as the circumstances allow?

We trust there is no possibility of one single word being picked out of the past or following pages to produce this mischief on either side. After these remarks our readers will be prepared to find this momentous question discussed with kind feeling both to masters and men, and, it is hoped, with strict impartiality.

Few words are needed to explain how the principle of combination is brought to bear upon this matter on both sides. All the workmen in each workshop or factory are connected with the other workshops in the same trade or manufacture, and, to some extent, the workmen of different trades support one another. Each trade has its union, as it is termed, partaking sometimes of the nature of a benefit society, but principally, and often altogether, contrived to regulate the men in their dealings with their masters. A committee of delegates or managers in each union arranges the whole. Contributions are raised, varying from time to time, to which all the hands must pay in proportion to their earnings for the general purposes of the society. Their regulations are strictly enforced, and though varying in many particulars in different trades, generally order — That all hands must be compelled to join the society and pay the *pro ratâ* subscription; That to prevent the number of workmen in any trade from increasing too much, only a fixed number of apprentices in proportion to journeymen shall be allowed to work in each shop; That a fixed rate of daily wages, or piece-work, fixed hours of a working day, and fixed regulations for all extra work (or over work, as it is called), as settled in every trade, shall be strictly adhered to, and not altered either by master or men without the sanction of the committee. If single workmen are re-

fractory they are put out of the pale of the union, and no union man will work with them. Masters, therefore, are almost always compelled to refuse to employ them for fear of being deserted by their other hands. When any dispute with the masters about wages, or any other matter, cannot be adjusted, and the masters are determined to have their own way, these unions have recourse to their most formidable weapon, a STRIKE, ordering all the workmen in the trade to leave their work and remain idle until the dispute is ended. During this time the hands thus *on strike*, as it is termed, are paid by the union weekly a fixed sum in proportion to the wages they formerly earned. But this weekly dole is hardly evermore than will barely keep the men and their families from starvation; and often when a strike has lasted some time the funds of the union are exhausted; and if they cannot at once return to their employments, the men become paupers or suffer the depths of misery. Sometimes this strike is made only against one or more masters in a trade who have some dispute with the union, whilst the hands of other masters are allowed to remain at work.

It cannot be expected that the masters will submit without resistance to the arbitrary dictation of these combinations. They combine in their turn, subscribe funds for the purposes of their associations, and choose committees of management, binding themselves by agreement to act in a body, and all follow the orders of their leaders. When one master is '*struck against*,' as it is termed, all the other masters in the same trade frequently turn out all their hands until his men return to their work. Vigorous attempts are often made to bring men from distant places, and with them replace the union hands; and sometimes, when the men have been much reduced by long and ill-advised strikes, the masters endeavour, now and then with partial success, to break the power of the union, and set its regulations at defiance.

When the importance of contests of this kind, and the means by which they are carried on, are considered, it will easily be imagined how angry and bitter the feelings on both sides become during the progress of a long strike. Each

party is battling to gain some point which is for a long time to make a great difference in the condition of masters and men. Each side carries on the contest by trying to wear out the other — by the alternatives of defeat, ruin, or starvation. Therefore, these mournful struggles often cause appeals to the law, and are sometimes connected with cases of riot, bloodshed, and violent outrage. Many a workman of unstained character has been, by the mad agony of the envenomed conflict, hurried into deeds from which all his better nature recoiled, and has suffered even more from the misery of his own remorse than from the punishment which awaited him for the crime.* But if these sad instances have too often recurred — on the other hand, again and again, have these strikes shown many of the noblest parts of the character of our working classes. Often when one body of hands — perhaps the smallest and weakest — has, in the opinion of the workmen, been oppressed, all the remaining operatives in the same trade, even when themselves in comfort and without cause of complaint, have made common cause with the sufferers — have, for their sakes, patiently endured all the misery of a long strike, and stood out until their wrongs were redressed. What this misery of a long strike is — how manfully and peaceably it is mostly endured — none but those who have witnessed it can at all fully comprehend. The gradual progress of starvation can often be traced from day to day in the wasting frames of men,

* We cannot here pass wholly unnoticed the outrages against life and property continual in Sheffield, though we are unwilling long to dwell on this painful disgrace to the character of our working men, fully believing that they are now alive to the absolute necessity of promptly securing life and property there. Unless the Sheffield trade unions look to this in time, and use their organisation effectually to put an end to this regular system of assassination and violence, their very existence is doomed, and the prosperity of Sheffield will not long continue. All our work in iron and steel is exposed to the keenest foreign competition, as this year's exhibition of the industry of all nations proves; and everything that prevents masters and men of the highest character from freely combining capital with skill in maintaining our pre-eminence, will sooner or later take the bread from thousands of English workmen as surely as the sun shines in the heavens.

women, and children, as a long strike draws near its close. All neatness of dress and furniture disappears by degrees, until nothing remains but bare walls, and rags barely hiding the body. Disease is soon rapidly and fatally at work amongst the enfeebled families, no longer able to procure the food and warmth without which life cannot long be sustained. Many a happy household is scattered never again to be gathered together. Over whole districts the blight of universal penury leaves as deep and lasting traces as are ploughed in other lands by war and pestilence; for all the shops and trades, which in manufacturing districts depend upon supplying the wants of the working classes, naturally share the ruin of their customers, and thus the calamity is almost universal. Nor are the moral evils of a long strike at all less than its hardships and sorrows. It is next to impossible for families long to resist the contagious evil influences of idleness and poverty. First, all attempts to educate the children are given up; and next, too often when the last remains of home comforts are lost, all the moral decencies of life either depart with them, or suffer damage hardly to be repaired by years of successful industry.

We must not suppose that the masters are generally unfeeling beholders of this mass of wretchedness. Many times they generously forbear to drive matters to the last extremity, and make concessions in pity to their men. Often do they, through their wives and families, succour the starving households of the turn-outs, even in the midst of the contest.

Our readers will naturally feel intensely the deplorable suffering these strikes occasion, and ask, with eagerness, 'Can no means be found of wholly avoiding them?' We fear not. Mournful is the conviction, that like all other wars, they will now and then happen, with all their attendant evils, whilst human nature remains the same. But this conclusion is forced upon the calm searcher for truth, who reasons carefully and justly on the facts presented by this deeply interesting question. To all who wish to do good, it is of the first importance to see clearly what can and what cannot be effected, and not to waste, in striving against impossibilities, those energies which, employed in a proper direction, might produce some

benefit to their fellow-men. As we have before said, real good can alone be done to men and their masters, by aiding both sides clearly to understand their true position, and strive to make the best of it. It would be a happy state of things could all disputed questions be settled by some joint tribunal of men and their masters, or by conference between delegates from both sides. But this will only be done when the decision is enforced by the knowledge that the strike, like war, can be resorted to as an *ultima ratio* — a means of coercing the refractory in all cases of extremity. It may, however, reasonably be hoped that this last resource will be very seldom needed; as both sides see clearly how much mischief a strike almost always occasions — how great are the wickedness and cruelty of all, whether masters or men, who rashly resort to this tremendous alternative. Surely every other expedient will be tried, both by masters and their workpeople, in seeing how far concession can properly go, before coming to defiance and open war. Let both parties consider how much the good feeling which enables these disputes to be settled depends on justice and mutual forbearance. When either side is forced to resort to a strike, let the importance be strongly felt of its being the firm conviction of bystanders that the party beginning the contest is in the right, and that all other modes of settlement have been tried in vain. Little good, generally, comes of this fearful struggle to the side which cannot command the good feelings of their fellow men, of all ranks, as to the justice of their cause, and the temper in which they seek redress.

Combinations amongst workmen were formerly strictly forbidden by penal laws, and regarded as illegal conspiracies. But as the rights of the working classes have been better understood, all these laws have been repealed. The last trace of legal interference with the free action of men in regulating the price of their labour has been very recently abolished; and workmen are now no longer prevented by law from trying to persuade others to leave their work in cases where the masters have succeeded in getting hands to replace those on strike. Of course, all force and intimidation are forbidden

in the peaceable persuasion now legally sanctioned, and threats or violence of any kind remain as before, offences liable to severe punishment.

We have noticed that combinations amongst the men produce, as is natural, counter combinations of the masters. These vary in different circumstances and trades; but, generally, the masters have nothing like the powerful unions of their workmen. Indeed, they are mostly disinclined to this agreement, except when forced by necessity; each preferring his own independent course of action. Frequently their combinations are only called into being during a long strike, and are dormant or dissolved when the dispute is settled. Some combination, especially amongst workmen, though attended by many evils, is absolutely needful to secure uniform fair wages and treatment. In many cases the good sense and good feeling on both sides would keep all right between masters and their men, even if each shop or factory were left to itself. But this cannot always be relied upon, and the better masters are protected from unfair competition by some uniformity of standard; otherwise, those masters who cut down their men would undersell them, or make large profits by such inhuman conduct. The masters, in intelligence, capital, and decision, have, in nearly all cases, many advantages over their men, who are mostly dependent on them for the means of daily existence. This power would too frequently be abused but for combination amongst the men.

In concluding this chapter with a brief summary of the advantages and mischiefs of these combinations, as they are and as they ought to be, our attention is naturally directed to their leaders and managers. Upon the character and intelligence of these, especially in the case of the workmen, it almost wholly depends whether the combination is a blessing or a curse—a tower of strength or an engine of swift ruin to all joined in the union. Unfortunately, it too frequently happens that many of the qualities necessary to make them safe guides are wanting in these leaders. One essential requisite is, some power to influence and command their fellows. This is often found in the man of warm passions, high spirit, and

fluent speech. He inspires sympathy and confidence — is admired, trusted, and followed. But these important qualities of the leader are too rarely united with the cool judgment, keen sagacity, and thorough experience in all trade matters, which are needful to make him a sound adviser of his fellow-workmen. He has, perhaps, conducted one or more successful strikes, and, knowing his power, too often drives matters to extremity. Thus his very ability makes him more dangerous to his followers. To men of this class the ruin of an entire district is often owing; or they are the cause of the masters being able, when the men are weakened by foolish contests, to seize some advantage vainly struggled for before, but now won — perchance beyond all hope of recovery. Such a leader will often fail to distinguish between the pressure of bad times and the oppression of the masters, and will begin a strike when the masters are glad of the excuse to turn out their hands and wait for better trade — not ill-pleased to see their men begin the contest at the very moment when they are sure to be defeated. Meantime, the shrewd, sagacious workman who sees all this, warns his fellows of the truth in vain. He is not eloquent — perchance slow of speech though strong in thought, and the fervid glow and energy of the popular orator carry the day. In the end, too late for remedy, the grievous error is seen and repented of. Again, we would repeat the warning to all working men to distrust appeals to heated feelings in all matters on which their daily bread depends, and to follow the advice and warnings of those amongst them who have deep heads rather than fluent tongues. In this respect it is to be hoped that some improvement is slowly going on; and that the trades' unions are better managed than they once were. On this good management, and on their own intelligence and character — and upon these alone — depend all the workmen's power of maintaining their position, all their hopes of bettering their condition,— whatever their flatterers or misleaders may say. This truth can hardly too often be repeated.

We dismiss with brief notice the most dangerous enemy the working man has — who destroys him under the pretence of

befriending him — because we hope that this pestilent character has little or no influence now, when the working classes better understand their own interests. This is the worthless idler who lives upon union strikes and the disputes between men and their masters, which he inflames and encourages for his own base ends. He is hardly ever a good workman — often no workman at all; always too idle to labour for himself as long as he can live out of others; and all his aim is to persuade the members of trades' unions that it is best for them to pay him to manage their affairs. Small is the hope of any peace, prosperity, or good agreement with their employers for those under the influence of a wretched demagogue of this class. Trades' unions managed by committees or secretaries of such a sort are naturally hated and opposed by all masters except the mean unworthy few who see with complacency all that makes their hands poor and degraded — knowing that such degradation keeps the men completely in their power. Poor and degraded the followers of such leaders always remain; for all their trade regulations and contributions are so arranged as to keep all down to the level of the lowest, and to prevent, as far as possible, any man from being better off or more sober and independent than his fellow workmen.

This brings us to the great evil of these unions — which evil, though greatest in such ill-managed societies as we have just described, exists, to some extent, in the nature of all. Combination, though, as has been remarked, of great use, when well directed, for the general protection of the men, inevitably tends to keep them down to one common level. It is hard for the workman or mechanic of superior industry, talent, and energy to raise himself from their circle. But these men, and men of this kind, should take the lead and use every effort so to frame the rules and regulations as to unite the greatest protection for all with the greatest freedom possible for each. Such men will see that sobriety is encouraged; that the provident clubs are honestly and well managed; and that all possible economy is rigidly exercised, to make the contributions as light as possible, and secure the utmost benefit

from the union to all subscribers. They should continually procure the best possible information of the numbers and condition of workmen in their own and other employments, and be particularly watchful of all cases where the continual progress of invention and machinery throws any class of hands out of work. To help these with the best counsel and substantial assistance, and to find them fresh employment at home or abroad, are amongst the most useful duties of a trades' union. Gladly would numbers of the benevolent amongst all classes contribute to the funds of such a trade committee, ably managed by the working men for themselves. Such a body would be best able to arrange a regular system of well-considered emigration, removing surplus labour from home to those colonies affording the best prospects to any class of emigrants — and could be safely entrusted with funds in aid of that purpose, both here and from the land where the labourers are wanted. Our readers will need few words to point out the weight such unions would have with the masters in settling all trade matters. The wisdom and moderation with which they would act, and the knowledge of their power in case of need, would almost certainly ensure a fair settlement of any point in dispute, and render strikes next to impossible.

If, however, the leading men of intelligence and good character find that all their efforts to make their trades' union really a benefit to themselves and their fellow workmen are thwarted by the foolish, idle, or vicious members who muster in such numbers as to drag all down to one degraded level, it is their duty, in such cases, to leave the union. We are far from advising them to give up combination. Let them form a better union of their own, with such good regulations as their sound sense and practical information suggest. They would soon gather strength, and might finally see the worse-ordered union wholly die out and come to an end, leaving their society in its place. Thus managed, combination would yield the members all possible benefit with the least attendant evil.

This chapter will close well with a few words upon the best and happiest combination — that of the masters with their men. Many instances of this will be found — sometimes

where the same families have worked for generations with the families of their employers. Here, the master is felt and known by all to be the best friend of his workmen; and the relations between them are of the happiest kind. Every master of good feelings will wish to establish this friendly understanding with those whom he employs. Let him not be discouraged if, in his worthy design, he has not at once the full success he may desire. There are some feelings, which, like the stately trees of the forest, take firm root, and expand by degrees, and are not the growth of a day. Above all things, the master must most carefully avoid, in his anxiety to do them good, all treatment of his men as if they were children — all attempt at interference which offends their independence. He must win their confidence by attending to their opinions — it may sometimes be to their prejudices. Unless they really consider him to be their friend, he cannot fully befriend them. But every intelligent, well-disposed workman will gladly seize every occasion of showing how sensible he is of the good will of his employer. Even where he thinks his well-meant intervention mistaken, he will strive to improve it, and work with his master to secure all possible gain from what is so kindly intended. With these good feelings and efforts on both sides, things will soon go well between the men and their masters to the content and advantage of both. Perhaps there are few lots in human life more freed from harrowing cares, yet fully open to the enjoyment of the spread of human knowledge, or better placed for domestic comfort and happiness, than that of an intelligent English mechanic on good terms with a good employer. May the number of such happy households increase, and send forth children who will be worthy of their parents!

Some masters have given their men an interest to some extent in their business — making their workmen's remuneration depend upon their own profits. If this is done merely to the extent of a gratuity or extra bonus, now and then, to give the men what may be called a heart in their work, no harm may be done. Beyond this, however kindly meant, the arrangement is a mistaken one; and, unless in some few exceptional

instances, under peculiar circumstances, will never answer in the long run. As we have remarked in treating of miner's wages, any partnership, making the workmen depend for any substantial part of their earnings upon the result of a business, is, on many accounts, to be avoided. The risks as well as the responsibilities of management properly belong to the master; and the workmen cannot fairly be called upon to share losses, where they are unable to decide or control. And any division of a portion of the profits amongst them, when they do not bear any share of the losses which may arise, can never be permanent or general, because it would, in the end, have the fate of all factitious, one-sided arrangements, and bring to an end the business conducted on such an unsound basis. It is, moreover, of the greatest importance to the workman that his earnings should be as regular and certain in amount as possible. Much thrift and self-denial are needed to enable him so to husband them, as to make any needful savings for the comfort of himself and family; and everything tending to lessen his exact knowledge of what he can rely upon to make this arrangement, forcibly strengthens the temptation to thoughtless expenditure. Therefore, in no instance is the division of labour more useful — in none is the departure therefrom more likely to be injurious—than in the case of the marked distinction between masters and their men. Each is best fitted for his own place, and does best what he understands best, but neither can gain by any mixture of their functions. It will, however, at once be apparent that these remarks cannot apply to cases where the master profits by any invention or improvement suggested by a clever workman. In all such cases the man is fairly entitled to share the profit he has thus created; and a just master will give him all the benefit he can in any way deserve. Many who have attained wealth and distinction have started in this way, as may be said from the ranks; and it is one of the great blessings of our country that this rise from the lowest to the highest step of the ladder is possible, and of frequent occurrence in almost every walk of life.

CHAPTER IV.

CAPITAL AND LABOUR

In our outline of the progress of society from the first origin to its present civilised state, the relation of capital to labour was so clearly laid down that this chapter can merely expand and illustrate what is there stated. But notwithstanding the general destruction in our day of errors and fallacies, we often hear, when disputes arise concerning wages, the greatest nonsense uttered on this subject by some of the leaders and defenders of the working classes. This is the more deplorable, as a true and clear understanding of what capital and labour really are, and how they are connected together, is the only foundation for any action that can truly serve the working man, the only means, indeed, whereby he can avoid mistakes which may cause him serious injury. Therefore a few words to make plain a matter of such importance may be a fitting conclusion to this section.

As the pretended advocates of hand labour go to the very commencement of things in disputing the right of any man to possess what he has not laboured for with his own hands, we are forced to follow them back to examine the ground they take, to some extent repeating what has been already said. Taking individual labour then as our starting point, it is clear that one man's two hands, working by himself, can do but little. He must labour with others, each doing some separate part of the work to enable him to produce enough to procure him any tolerable share of the comforts of life. The division of labour is the first step towards his being any better fed or clothed than the half naked, starving savage. But this division of labour renders also necessary a division of its produce. And this division must be made according to the quantity and value of the work done by each. Part of the work may require much skill or great bodily power, and can only be performed by a very strong able workman. Another part may

need little more than hands and legs, and is mere labour, much of which a boy can do as well as a man. We suppose no working man will deny that each working man ought to receive as his share the worth of his labour—the skilled or strong man most, the common labourer or boy his fair share also, but less than the former. If this seems clear and right, a little further thought will show that there are other parties just as much entitled to their share as any of the rest; and without whom not one of them could earn any thing by his day's work. Let us see who these are, and by what right they can claim any share of the produce of the work. The working man must have tools and materials. These must be paid for at a fair rate by some one or other. Here we are forced to give part of the produce of the work to pay for the materials of which it is made, and the tools or implements to work with. These tools and materials, as we have shown, are stored up labour, laid by for the use of the working man, without which he could not labour at all. And the share of the produce of his work which he must give for the use of them is far less than it would cost him to make or procure them for himself, even supposing he were able to do so. If he did not find them prepared ready to his hand, in nine cases out of ten it would take him half a lifetime to make or get them for himself, and he never would get to begin the work he wanted them for. So there is no part of his earnings more profitably or better expended than the fair share of the produce of the work for the tools and materials just as he wants them. But when his tools and materials are ready, something more is needed to set the workman fairly agoing. Some one must plan and direct the whole—must see every one in his place doing what he is best fit for—that everything wanted is at hand that no time may be wasted in running to and fro—and to direct all that is done. Without this man half the day would be lost in settling how to proceed. Each man would have his say and his own ideas how things ought to be done, and ten to one all might end in wrangling, and they never would get to work at all. This is so clear, that whenever a number of sensible, clever men are left to themselves to do anything, the first

thing they do is to choose the fittest man they can find for overseer or foreman of the works. They know well how badly they would get on without him; and therefore agree that he deserves his fair payment out of the produce of their labour as well as the hardest worker of them all. And even when tools, materials, foreman, and workmen are all together, the best of their kind, something more is yet needed before the work can go on successfully. Cash is wanted. The tools, implements, and materials must be paid for, and the workmen employed must have money from day to day. It may be months, or even years, before payment can be received for the proceeds of the work they are doing, and in the mean time the men want food, clothing, and support for their families. It is, therefore, clear that the man who advances money for needful tools, materials, machinery, and buildings—who pays the workmen and foreman regular wages, and can afford to wait months or years before he is repaid, that this very man, the man of capital, who was ignorantly said to be living on the sweat and toil of others, and robbing them of their earnings, is, in real truth, the heart and soul of the whole, without whom the workman could not work or live. It is also clear, from what we have seen of the progress of getting to work and carrying the work on, that the whole business is a joint-stock concern. Each brings something to the common stock, and each must receive his share in return. The workman sees all the labour which he himself performs from day to day; but he must not forget how much labour, equally hard, which he does not now see has been performed, it may be years upon years back, to help him now in his work—in fact to work with him. All this former labour — tools, materials, money, plans, &c., does its share of every day's work, and has as much right to its fair share of the produce as he has.

The working men reflecting on this cannot fail to see the wicked falsehood and folly of those who tell them that their labour does everything and earns all the money, and that they are wronged and oppressed by the masters living on the fruits of their toil, instead of their having all the earnings themselves; the truth being that they only do a part of what is

done, and are not entitled to more than their fair share of the proceeds. Every man knows many working men who by saving money or by some invention have got on and risen to be masters. Cannot these men claim the earnings of their brains and frugality as justly as each labourer claims the daily earnings of his work?

But when it is agreed that the produce of the work should be fairly shared between masters and men, and that it is folly to suppose that the master will give his skill, time, and money for nothing, the workman often complains that he cannot get his fair share—that the masters cut down wages, and make enormous fortunes out of their workmen's misery. This to some extent may sometimes be true, and a sad case it is. Our last chapters show the working man's only remedies. All depends upon supply and demand. The number of men wanting work and the number of masters wanting men settle this, like every other question of buying and selling. All our best wishes go with the working man's efforts to protect himself and get his fair share. Therefore, above all things, we deplore his just cause being injured either by unjust demands or by asking more than he can ever get. He must shun all those brainless spouters who can only lead him to mischief and ruin, and trust those of his own class who have really long heads, and can give him sound advice. He will thus find out what to ask for and how to get it, with some chance of really bettering his condition, instead of only making bad worse by obstinate blundering.

But why, say some, cannot the working men be masters themselves, carrying on their business by a committee and manager, and thus share all profits as well as wages amongst themselves? The plan looks plausible at first sight, but carefully examined will be found full of danger, and almost sure to fail in the end. First, in all business a share of profits means also a share of losses, from which no business is free, and which this association of working men would be wholly unable to bear. Then capital is required. If this is borrowed, the interest in the end would, nine times out of ten, eat up all the savings and earnings, and the lender of the money would,

sooner or later, step in and sweep all off to repay himself, leaving the poor shareholders ruined. If the capital is made up by the working men themselves, it is sure to be too small to give them any chance of getting on, unless they are so wealthy and prosperous as workmen that it is sheer madness to risk their hard earnings in setting up a new business of which they have no experience. If they can save enough to make up amongst themselves the large capital required for any works worth notice, by all means let them stay as they are, and know when they are well off, instead of ruining themselves. When the capital is short, all will come to speedy ruin, for more will soon be needed, and the men will be too poor to find it. Again, as to management. Every one knows his own business best. Much shrewdness, forethought, and judgment are needed in these times of competition to carry on any business well, as workmen may learn by seeing how many masters lose all they have and come to ruin. No committee of workmen can manage half as well as an able man acting for himself manages his own affairs. If they have a manager clever enough to do all for them, and make the business pay, he will soon feel his own power, and unless he gets all, or nearly all, the profit to his own share, will go somewhere else where he can do better for himself. Again, if the working men are to benefit by the business, the profits (if any) must be divided amongst them. But when the profits are taken out of the business, there is no fund to bear losses. Therefore it is no wonder that of these joint-stock working men's companies ninety-nine in the hundred have been or will be failures, losing every penny subscribed to them. There may be one or two exceptions, where these concerns for a time seem to do well; but even these we fear will hardly maintain their ground long. A working man who can save any money will do far better by putting it in a Government post-office savings'-bank, where every penny will be safe, and he will get some interest, than by taking shares in one of these companies with the great risk of losing every farthing.*

* We are aware that a few of these Co-operative Associations, especially for the sale of flour and provisions, have now existed for some

It is often hard for the working man, willing to labour hard and do his best, to see himself and his family badly off, whilst many others round him are rolling in wealth and live easily. He may sometimes think there should be a fair division, and that he should have a part of what the rich man could never feel the loss of; but by a little thought, he will soon find that, even if this division could be made (putting out of view the right of every man to his own), it would only leave, in the end, a nation of paupers. These riches make a great show in a few hands, but would not long give a loaf of bread to the millions on millions who live by the wages paid by their employers to the working classes. And when all these riches had been divided and spent, nothing more would be left, and every one must starve. Nothing can pay wages, week after week and month after month, but the produce of capital employed on the land or in business. All the wealth we see goes sooner or later, in one shape or another, to increase this fund out of which wages are paid, and the working population of the country is maintained; for those who do not employ their money themselves lend it for interest to those who do: and if these riches, instead of being put to work to make more, were divided to support the English people, they would be, as we have said, a mere drop in the bucket, and would soon come to an end. Then the working man, instead of getting anything from the division, would soon himself have to share his clothes, furniture, and everything he possessed, with others poorer than himself, until all had been consumed, and, nothing more being left to divide, all, as we have before said, would starve together.

The only thing for the working man to do who wants to try to get on faster than he can do at home, is to go to one of our colonies and begin life for himself. This sometimes succeeds. Some who emigrate rapidly get rich, but far more fail, and

time with fair success. In this case the management has been fortunately kept in able, honest hands. But so many dangers beset the permanent prosperity of this system, that with the best wishes for the welfare of the working man, we cannot recommend him to trust his hardly-earned savings to such a perilous investment.

have to work harder and fare poorer than they did at home. Any man who can live here as well as a good workman ought to do in these prosperous times, had better be content with his lot and remain where he is.

Let not the men who work hard with their hands fancy they are the only labourers. Work with the head soon makes young men old and turns the hair grey, often bringing on disease and shortening life. And many who toil with their brains work far harder and make far longer days than any workmen or day-labourers. The very highest classes are not free from their share of the labour to which the sons of Adam are doomed. Even the Queen of the British Empire has much to do with many anxious thoughts and cares. And, even supposing they had ability to fill the post, few amongst the very strongest of the working classes could stand the toil, anxiety, and wear and tear of mind and body, the hard day and night work, borne month after month and year after year, by the Leader of the House of Commons and First Minister of England,—to take one example out of many.

PART III.

ON PROPERTY AND LABOUR APPLIED IN DISTRIBUTION

SECTION I.

HOME AND FOREIGN TRADE

CHAPTER I.

COMMERCE, CITIES, AND PORTS

When the earth has been subdued to yield her riches, and every climate been searched for all its useful and desirable products, there yet remains the labour of distributing the varied store to supply the vast human family scattered over the world. In this part of our treatise we shall consider the process of this distribution, first tracing what may be termed the main streams of supply, and then following in detail the trade carried along them into its principal divisions.

The early appearance of the merchant in our first authentic history of the world has been already noticed, showing how commerce is the herald of civilisation. Until tribes and nations begin to exchange with one another the produce of their labour, they remain in the condition of savages. That different lands, as they are inland or maritime—on the mountain or in the plain—in a hot or colder climate—vary in the useful commodities which they yield, was one of the first discoveries made by the human race when sent abroad 'to replenish the earth and subdue it.' And the exchange of

these commodities naturally at once followed this discovery. It is interesting to remark how soon the broad highways of commerce, along the great rivers and plains between the African shores of the Mediterranean, the Red Sea, and the Persian Gulf, were traversed by boats or rafts and camels. This great line of traffic, traced by the natural features of the western part of Asia, remained the same from the earliest times down to the period when the ship succeeded to the caravan, and the open sea became the chief high road of nations. Very recently the agency of steam by land and water has brought much of the Eastern intercourse with Europe back into the old track; and when Italy recovers her full unity of independence and prosperity, her great cities, so long decayed, will once more have their share in the commerce of the world.

The necessity of providing security and accommodation, by halting places along the journey, first founded cities and towns on the tracks and coasts traversed; and the same cause fixed the great marts and depôts of merchandise to and from which the merchant travelled in exchanging the produce of different districts and countries. The desert and the sea were alike dangerous and inhospitable. Every caravan and little fleet of rafts or boats was like a convoy of stores in times of war — exposed to constant danger of attack by land and water. This has been the state of the East from the earliest days down to our times. Whole tribes live by predatory plunder; and every man must be continually prepared to defend his life and property, wherever thieving is not kept down by a strong and severe government. Therefore the merchants whose valuable wares and produce were a tempting invitation to the robber, were forced to travel in companies prepared for defence, and to store their goods in 'fenced cities.' The security afforded by these enclosures gradually peopled them with men of all trades and of every class, save the husbandmen, who were, of necessity, scattered over the land they tilled. They, too, when dreading the sweep of some marauder's robber-band, left their farms and hurried, with their families and cattle, to seek the shelter of some near fortified town.

In the early voyaging by sea, when the sailor with no compass for his sure leader, crept timidly along the coast, guided wholly by stars and landmarks, vessels had continually to wait for certain winds and to sail at certain seasons. They were, therefore, only a very short portion of the year at sea, and spent most of their time in some haven or other. Hence seaports arose wherever a good harbour lay in the routes most frequented; and became places to winter in, and where vessels were built and fitted out for sea. Both inland and along the rivers and coast, many places grew to be cities and fortified towns from the advantages their position afforded for defence against all attacks, as war was then carried on. This security of position often made great marts of trade where other advantages of situation did not exist in an equal degree. From whichever of these causes first founded, commercial towns rapidly grew in size and wealth when all around them was stationary, and soon contained all the civilisation and knowledge of early times.*

The merchant of those days was what he still remains in some parts of the East in thinly-peopled countries—the pedlar or hawker on a large scale— or, when fixed in one place, the shopkeeper retailing his wares. The disposition to traffic with foreign lands, as we have remarked of fondness for the sea, belongs rather to race than to geographical position. Some nations take as naturally to commerce as others to war and theft. Of this the Arabians are a very remarkable instance. The predatory sons of Ishmael are to this day what they were from the first. Each of them lives by plunder; 'his hand against every man, and every man's hand against him.' But other tribes of Arabia were from the earliest times travellers and merchants, and carried their goods and all the arts of peace over nearly the whole world then known. In like

* A glance at the globe mapped into northern and southern hemispheres, or, better still, taken round our first meridian, shows the unequalled advantages in position of the British Isles; literally central to all the land of the world, with the readiest communication by sea for commerce from every shore.

manner the Phœnicians*, Armenians, and Jews were early celebrated traders to the very ends of the earth. More lately the Italians, Spaniards, and Portuguese were followed by the Dutch as the most eminent discoverers and merchants, until the English arose to be a mighty nation of traders to every clime, and their great offshoot, the powerful republic of North America, followed hard upon their footsteps. How one nation sees only facilities for war and plunder in the local advantages which, as we have shown, are to another the foundations of commercial wealth and empire — the contrasts between the Romans and Carthaginians, and, later, between the Celtic and Teutonic races, forcibly illustrate. War and commerce have, from the first, been the great agents in spreading civilisation over the world. But the former destroys with one hand almost as fast as it builds with the other. Each great change by conquest sweeps away all traces of the past where the civilisation was wholly belonging to a dominant race. The dark ages following the classical prosperity of Greece and Rome are a most striking instance of this great truth, which has received wider illustration in Eastern history. It is wonderful to think how the very natures of the peoples seemed changed — how their arts, languages, and literature were for a time as completely hidden as if purposely destroyed and buried. Of this, the history of the discovery of Roman remains in our country is every now and then a striking proof, revealing traces of a past full of buildings and relics of a high state of refinement, but of which all record was long as much forgotten as was that of the Assyrian monarchs whose written history on stone has recently been discovered.

It is not foreign to our purpose thus specially to notice the great distinction between war and commerce as agents of civilisation. Of this difference one striking example will at once occur to many of our readers. Alexander of Macedon less deserves his title of the Great for his conquests, than for the

* The dealings between Hiram, King of Tyre, and Kings David and Solomon, and the remarkable description of the commerce of Tyre by the prophet Ezekiel, are interesting records of the early trading of the Phœnicians.

magnificence of his design of connecting all Eastern and Western nations by the links of intercourse for all time forward. His empire soon passed away; but his name yet lives in the cities, which with marvellous sagacity he founded in his brief career of warlike glory, and Alexandria, Herat, and Scanderoon, are to this day his most enduring monuments.

A remarkable instance of early and comparatively permanent national welfare, almost wholly without foreign commerce, claims special notice. China has possessed the principal arts of life, and many of the great discoveries that revolutionised Europe, from a remote antiquity, of which we have only a very vague knowledge. But the use of coal, gunpowder, printing, and the mariner's compass were, in her case, barren of the mighty results they produced amongst us, because she has long shunned and repelled, by every means in her power, all intercourse with foreign nations. For ages she has remained stationary — a world in herself, with her own manufactures and commerce; teeming with an industrious population, and, on the whole, far the most prosperous nation in the East, except, perhaps, the newly re-visited islands of Japan. It is curious to remark how her swarms of emigrants follow close in the track of Anglican civilisation, wherever they have the power — tempted, no doubt, by the superior security to life and property, and the wider field of enterprise, compared with what the effete and corrupt Eastern nations surrounding them afford. In the East Indies, New South Wales, and California, they have formed an important element of the working population in certain districts, and everywhere prospered. Peculiar interest just now attaches to this remarkable people, because we have recently gained a foothold amongst them for our commerce, which promises to be the beginning of perhaps the most important branch of our foreign trade.

Besides the advantages of situation above mentioned, freedom from excessive taxes or imposts upon trade, is essential to the prosperity of commercial cities. Sometimes this immunity was granted by rulers wise enough to see how much the wealth of their country and their own revenues were thereby

increased.* Sometimes the freedom was purchased by large loans and subsidies to the government, and sometimes won by war. The commercial element in a people has always been favourable to self-government—as the intelligence, decision and enterprise, which make a good merchant, eminently fit him to conduct the public affairs of the town or country to which he belongs. Of this the famous Hanseatic League is a striking proof: a purely commercial confederacy of several towns, in different countries, formed, what may be termed, a state of their own. They cleared the Baltic of pirates — treated with England and other lands for free trade — had their fleets and armies — made wars and deposed monarchs, and enjoyed a strong enlightened government for their own purposes, when Europe around them was often the scene of anarchy and confusion. As soon as peace and good order were better secured and the several towns could more safely depend upon their own governments, one after another city gradually withdrew from the league; for the time when it could do good service was at an end. But the fatal blow came from the diversion of the East India trade, which has been noticed as having followed the voyage by the Cape of Good Hope. From that time the German and Flemish towns, which had been the chief marts of the Hanse League, declined, being no longer the channels through which the Eastern traffic flowed westward, until the League was finally dissolved. Still, Hamburg, Lubeck, and Bremen, the places in which this mighty confederacy originated, retain their alliance with Frankfort as free united cities forming the last vestiges existing in our day of the famous Hansa of old times.† Scarcely less remarkable in commerce — far more eminent in arts, arms, and political celebrity — were their rivals, the contemporary commercial republics and aristocracies of Italy. But they never attained the wise union of the Hanseatic League. Had they

* Many nobles sold these privileges to defray their armaments for the Crusades.

† A trace of these merchants, then called *Easterlings*, remains in the word *sterling*, first applied to their good money in distinction from the debased current coin.

not exhausted themselves by devastating civil wars; had they combined for the common welfare and strength, Italy, instead of being so long the battle field of France and Spain, would have been powerful enough to secure her own freedom and prosperity. How much vital force, even when continually wasted by strife with every neighbour, these civic institutions possessed, the haughty aristocracy of Venice well shows, which endured even to our times — at her fall one of the oldest unchanged dynasties in Europe.

The effects of the discovery of America, and further details of commerce, must receive separate notice in the following chapters and sections; and more especially, as akin to this part of our subject, the Great Fairs, so long a leading feature of the commerce of the olden times, and the trading companies which, especially in England, almost resembled the Hansa League in importance and magnitude, and were founded in the same motives, to combine for mutual strength and security.

Nothing brings the riches and importance of commerce more clearly to our view than the enormous increase in the value of land and buildings in prosperous cities, compared with their former worth in a more thinly-peopled agricultural country. In the busy world of traffic, time and distance are money. Certain spots become centres of the commercial circle, round which radiate the several lines of continually increasing wealth. The nearer to any of these centres, the more valuable is the situation; and as the space at command is limited, and eagerly sought for, competition soon enhances the prices of the best localities to an extent almost beyond any limit that can be named. The rapid settlement of various parts of the United States of America, and of some of our colonies, especially where gold has been discovered, have lately shown instances of these prices reaching a fabulous amount in a few weeks or even days, like the bean in the fairy tale, which grew in one night to be a mighty tree.

CHAPTER II.

COMMERCE—DOMESTIC, COLONIAL, FOREIGN

THIS chapter will consider commerce in its main divisions, specially with reference to the traffic of our own country. The distinction between domestic, colonial, and foreign trade, has long been marked in the commercial laws of all nations, by more or less preference having been given to the colonial over the foreign, and to the domestic or home trade over both the others. In proportion, however, as governments become more enlightened, they discover that these distinctions impede, in place of increasing, their national prosperity, and by degrees lessen or abolish altogether the privileges of the more favoured, and the restrictions on the less approved, branches of commerce. Here, as elsewhere, England has taken the lead, and our commercial legislation now nearly approaches the desired perfection of freedom and equality. Though the following chapter is especially devoted to restrictions on trade, the particular laws and principles which so long regulated our colonial system must be considered here, to enable this important part of the commerce of England to be properly examined.

The reason of the estimate so long formed of the relative value and importance of the three great divisions of trade, will be found in the erroneous theory before noticed, that the land is the sole source of real wealth, and that commerce enriches a country only when gold or silver is imported in payment for produce sent abroad. A detailed refutation of this fallacy will be found in the part of this work treating on foreign exchanges, when what was so long called the balance of trade comes under examination. So much of the erroneous theory as bears upon the comparison between agriculture and commerce, may, however, here claim a few words. Two leading ideas will be found to be the chief grounds for all attempted proof that the land is the only source of wealth:—1st. The

distinction supposed to exist between necessaries and luxuries, — the former represented by the food, clothing, materials, &c., raised from the produce of our own soil; and the latter consisting of all procured in trade from abroad, by the sacrifice of some useful commodities to pay for them: and, 2nd. The fear that if our supplies of what is really useful and necessary (food, clothing, materials, &c.), were allowed to come from foreign lands, we became — in addition to the loss to our own landed interests of the profit they ought to have derived from raising the produce so imported — dependent upon foreigners for the very means of supporting life: a state of things supposed to be insecure even in times of peace, but nationally ruinous in the event of war. Viewed in these lights, commerce appeared to be little better than a tolerated evil, to be confined in such bounds as should secure every branch of domestic industry from all risk of foreign competition, and make all our trade, as far as possible, auxiliary to the supremacy of Great Britain, especially in provision of all stores and muniments of war.

All our legislation for trade was long based upon these principles, the application of which to our colonies, with its consequences, must now be traced.

The English colonies were founded at various times and in diverse manners, and hence arose corresponding variations in their laws and government. Some originated in conquest — some in charter or grants to private individuals or corporations — some in penal settlements, and some being discovered in voyages made by our commercial vessels or men-of-war, were at once taken possession of on behalf of the crown. Hence they were military posts, plantations, territories, commercial marts, or receptacles for transported convicts; and each class naturally required different regulations for intercourse with the mother country and with foreign nations. But however these regulations might therefore differ in many respects, they were all alike in some essential features, and all enforced some fixed principles founded on the estimate of commerce just noticed. All our colonies were long looked upon as subordinate to the mother country in all their in-

terests. Being considered as wholly under English control, and forming in some sort outlying portions of our territory, they could be relied upon for supplies of necessaries without the fear of dependence excited by foreign nations. Their trade, too, could be regulated so as in no respect to interfere with home interests; and with this object they were prohibited from direct trading with foreign lands. When English interests had, according to the ideas of our legislators, been protected, there was no unwillingness to secure to the colonies all the advantages which it was supposed could be gained over foreign nations without detriment to the mother country. The produce of our colonies was long admitted at much lower duties than were levied on all imports of the same kind from other quarters. This protective difference was in most cases so great as wholly to exclude all foreign produce of the same kind as that the colonies could supply. Our readers will, we hope, ere this have gained sufficient insight into the real sources of commercial prosperity to suspect that this policy was mistaken and mischievous. If it could have been fully carried out, England would have exactly resembled China trading with herself alone, and would have suffered similar results of dormant stagnation. Only in two respects would differences have existed unfavourable to our country in the comparison,—our colonies are far more scattered and remote than the important parts of China trading with each other; and we are exposed to an active competition in trade with various other countries, from which China, with no foreign commerce, was wholly free.

This colonial system was carried to perfection by Spain in her intercourse with South America, with exactly the results which might have been anticipated from such a policy. All her trade with these rich colonies was so harassed, hampered, mulcted, and prohibited, that, long before they became independent, other countries than Spain reaped all the wealth of their mines and produce. So benumbing has been the long bondage in which these colonies were held by Spain, that they have not even yet got the free use of their limbs; and Brazil, whose imperial government followed a wiser and more

liberal course when independent of Portugal, is the only South American state at all increasing in wealth and importance in proportion to the great natural advantages possessed by that fine continent.

Great Britain made the important change in her colonial system above noticed just in time to save her commercial supremacy. Had she delayed even a little longer in throwing off her self-imposed fetters, other nations would have been so far in advance that, even when freed from her heavy shackles, she would hardly have overtaken them. An event, which at the time was declared to be the ruin of England, first opened the eyes of our countrymen to the errors of our colonial legislation, and marks the era from which the growth of our commercial prosperity has been rapid and almost uninterrupted. From the time when the United States of North America, throwing off their connection with Great Britain, stood forth as an independent nation, there could be no mistake about the matter. The new country waxed great with a giant's growth; and the more she grew the more Great Britain was enriched and prospered by trading with her, to a degree far surpassing anything possible in her former condition of colonial dependence. By this example the real way in which nations are enriched by commerce was unmistakably shown. On the other hand, it appeared how our absurd scheme of colonial policy had dwarfed and crippled our colonies, to the immense injury of the mother country. It was some time, as is too often the case, ere truth prevailed over prejudice. Abuses always die hard; but in this instance undeniable facts spoke so loudly that at last they gained a hearing, and the colonial system was doomed to the fate of all the exploded errors of protection. It is now well understood, as will be shown more fully in a following chapter, that the profit from commerce really consists in bringing home sufficient returns for our exports in all useful and desirable articles,—not in importing gold or silver, unless in the case where either pays better than anything else that can be brought. Our eyes are now opened to the palpable truth that nations grow rich and prosperous by commerce exactly as individual merchants amass wealth—

by carrying on a profitable trade, buying in the cheapest and selling in the dearest markets, whether at home or abroad. Therefore, any prohibition or difference of duties that forced us to procure from a colony anything we could get better or cheaper from a foreign country, was found to operate as a tax upon our own people rather than upon those whose produce was excluded. In like manner, any prohibition preventing any of our colonies from importing direct from any foreign country whatever they could thence have procured better suited to their wants, or cheaper than anything from England, was found most oppressive and injurious in its effects upon the colony, and producing harm instead of good to the mother country. The trifling gain of any trade with the colony, which but for this prohibition would have gone to the foreigner, was no recompense for the poverty and stagnation in which that colony was kept by these unwise fetters on its commerce. All of our trade that is really healthy, sound, and prosperous, depends upon our supplying many things of great utility and value far cheaper and better than any other nation. From similarity of habits and wants, our colonies will naturally always be our best customers for these articles. The richer and more populous they are, the better customers they will be. Any restrictions on their trade, forcing it out of the most profitable channels, check the growth of their prosperity; and thus, as we have said, injure them as well as ourselves. As before remarked, these truths were undeniably proved by the comparison of the United States of America as our colonies with the same nation free and independent.*

* Similar results may be expected from the transfer of our great East Indian empire from the Company by which it has so long been governed to the direct control of the mother country. The former mode of raising the revenue by a tax on the produce of the land, was so contrived as literally to destroy the value and security of much of the landed property in wide districts. Under this system, rendered worse by the jealous exclusion of all English settlers, cultivation at best was but stagnant, and in many places so declined that large tracts of land became waste. A recent enactment, permitting the purchase of land on fair conditions, will work as favourable a change in many localities as the Encumbered

It may further be noticed that all fears of dangerous dependence upon foreign countries for useful products, or even for the necessaries of life, will be found on examination void of foundation. Our past history proves that England suffered frequently and severely from partial famines, even when the population was far less numerous than at present, so long as we almost wholly depended upon the food produced at home. Our position as an island would necessarily increase the danger of these periods of scarcity but for our extensive foreign trade, which brings to our shores the magazines of food from all quarters of the world. One or two bad seasons may nearly destroy our own crops, but with the granaries of both hemispheres at our command, we can import increased supplies for all our wants, since the removal of all restrictions on the trade in food; thus rendering the recurrence of the periodical starvations before endured all but impossible. In like manner this extent of our commerce is our safety in times of war. Trading with all the world, we can always purchase what we require in one quarter or other; whilst our immense commercial marine mans fleets which insure us the command of the sea, and protect our merchantmen all round the globe. These truths are fully confirmed by the histories of all nations in all times. By free trade the fens of Holland became the granary of Europe, whilst the fertile lands of Spain, capable of supplying many times her whole population with the best wheat in the world, did not yield enough to prevent her people from frequently suffering want. Thus, whilst the enterprising industry of the Dutchman drew supplies from all corn-growing countries, the mismanagement in Spain was such that one province often suffered famine, and at the same time in another the farmer was almost ruined by the low prices of his abundant crops; for, whilst by oppressive regulations and duties the Spaniards had almost wholly destroyed their foreign trade, they at the same time were divided at home into provinces,

Estates Act has done in Ireland. This happy change comes just now very opportunely to enable India to furnish the increased supply of cotton, so much wanted here.

often as different in their custom-house regulations as if they were foreign countries. From this cause, and the almost entire want of good roads in the interior, it would often cost less to send wheat from Cadiz to Amsterdam and thence to Bilbao than directly from one Spanish port to the other. Yet we must not wonder too much at this absurd and mischievous system of trade between parts of the same empire; for this very nuisance has not long been abolished even in England. Until very lately vessels cleared from English ports for Ireland as to a foreign land, and duties were levied on many articles of export and import between the two islands. Even between different ports in England duties were in many cases paid upon sea-borne articles, whilst the same things could be sent duty free overland to and from the same places. But the spirit and intelligence of our merchants and manufacturers forced in time a better system upon our rulers. The practical proofs of the real way in which most benefit could be derived from home, colonial, and foreign trade became manifest and overwhelming. It became clear that the mistaken ideas of our lawmakers as to commerce would, if allowed free play, soon destroy both merchant and manufacturer, and leave the farmer poor.

As long as we followed the avowed system of taxing all foreign trade as much as it would bear, and of trying to grasp everything, and give as little as possible in return, we naturally provoked retaliation in other countries; and but for the common interests and enterprise of merchants on both sides counteracting as far as possible the folly of their rulers, our foreign trade in these circumstances would have been all but destroyed. Since trade has expanded by being left more free, our landed interests have found, from advanced rents and profits, how much the farmer gains from the wealth of the trading and manufacturing classes, who are his best customers.

Our foreign commerce was formerly mainly carried on by the English merchant having an agent, factor, or partner living abroad, or making the voyage with his merchandise. There was then much more separation between different branches of trade with different countries than exists now. Each mer-

chant almost universally confined himself to one business, and had his connection with some house abroad in cases where he did not trade by his own factor or partner. These business connections often descended from father to son for a series of years. In our days the dealings of a merchant are frequently more extended and general; and he trades with many countries at once, or in turn, as he finds he can enter into profitable transactions abroad. In place of one or a few foreign correspondents, he will be in communication with several at the same or different times. The introduction of railways, steam-vessels, and the electric telegraph has extended the sphere of his operations by bringing distant parts of the world near together. By these agents, the founding of new colonies and opening the East to our commerce, the whole system of our foreign trade is expanded as much as it is altered.

Other changes have attended this expansion and alteration —in some of their features of a chequered aspect: good not unmixed with evil. There is in our days an increased tendency to base large operations upon credit, and to substitute a system of discounts for capital. The dangers of such a mode of carrying on business are manifest at a glance. Even if founded upon solid property, transactions become unsound and unsafe when pushed to such an extent, that the merchant retains no margin to bear loss; so that his only alternatives are success or insolvency. But, unhappily, in some instances the credit system has been extended far beyond even this speculative gambling. The manufacture of bills of exchange solely for discount has been carried on by mercantile firms apparently flourishing and prosperous, but whose only means depended on drawing upon one another. As each set of bills has to be paid from the proceeds of new ones put into circulation, these operations rapidly grow larger so long as the worthless paper can be kept afloat, until credit can no longer be maintained, and utter disgraceful failure ensues. Though no honest merchant or manufacturer would lend himself to this deceptive sort of swindling, yet it is painful to find from the disasters frequently caused by these frauds to what extent they are carried, and how many wholly unscrupulous

traders have enjoyed a fair reputation up to the day of failure and detection. Overtrading is often the beginning of this system, involving the unhappy adventurer in difficulties, so that in desperation he flounders on from bad to worse, until all moral sense is blunted or destroyed. There is, unfortunately, with bankers and capitalists too much inclination to give credit rather in proportion to the seeming extent of a man's business than to his individual character and ability. This is a great error. A man of high rectitude and sound judgment will not play with the property of others. He will not expose himself to the risk of failing in his engagements for any lure of increased profit however tempting; therefore, he may appear to do a less business than his means and standing warrant. But his transactions will be safe; and times of panic and failure afford a mournful proof that this safety is not always secured by extent of dealings or apparent high standing. Indeed, where the foundation is insecure, these only make the ruin greater and more disastrous. As this subject will again be noticed when treating of our monetary system, it will be sufficient here to remark that the steady and progressive increase of the commercial wealth of our country proves that, numerous as are the failures of these speculators from time to time, they bear no proportion to the far larger number of men who successfully uphold in their business the high character which has so long been the proud attribute of the British merchant.

The laws of insolvency and bankruptcy have lately been frequently altered, with the view of increasing the facilities and lessening the expense of dividing the property of defaulting debtors amongst their creditors. The last change—just now coming into operation—in many ways modifies the previous modes of proceeding, and appears to afford fair hopes that the worst evils of the former state of things are removed or remedied. But more time must elapse ere experience can pronounce upon the merits and defects of the new Law of Bankruptcy.

CHAPTER III.

FREE TRADE AND RESTRICTIONS.

We now proceed to the examination of protection and monopoly as opposed to free trade. It has been impossible to avoid, in some degree, forestalling different parts of this subject in former divisions of our treatise; and this renders needless a repetition of the arguments employed to prove the folly and ill effects of the various protective laws before discussed. The following pages, therefore, will consider the general subject, only referring now and then to details by way of illustration.

As we have seen in a former chapter, security of person and property is the foundation of commerce, which first visited those places where this security was afforded. When rulers had once recognised this fact, they soon found means of deriving a far larger and more permanent revenue from merchandise than they had before gained by the direct plunder of the merchant. They began to levy duties and taxes as fees for the protection they gave. Another step from this brought them to grant licenses to trade and monopolies*, which were long sold at high prices as a ready means of replenishing their exchequers. The value of trade, as a milch cow of revenue, being thus ascertained, each ruler became anxious to secure for his subjects some advantage over other countries; thus getting as much as possible of the rich fruits of commerce,

* The word monopoly is so well understood as hardly to need definition here. The term, in its strict meaning, as derived from the Greek, is the sole power of selling. But it is well known in the extended sense here used, of the exclusive right to carry on any kind of business, or such exclusive advantages as render competition impossible. This exclusive right was in England generally granted by licenses from Government to carry on some trade or calling which no unlicensed person was allowed to enter. The exclusive privileges were mostly conferred by freedom from imposts imposed on all competitors at home or abroad, generally so heavy as to confine the protected trade to the favoured party. Sometimes direct bounties were given.

leaving the least and worst portion for his neighbours. Hence arose prohibitions, differential duties, bounties, monopolies, &c.

The obvious competition actively at work in all pursuits of mankind, and which has always appeared in particular force and prominence in all branches of trade, was long mistaken by lawgivers for the real body and vital prosperity of commerce lying underneath hidden and overlaid by this strife upon the surface. And the merchants and traders themselves, even when more practical acquaintance with the pursuit of their lives forced upon them some real knowledge of the true state of things, for a long time rather encouraged than combated this general delusion. Each had his own private interest to serve, and was careful to uphold the system from which he looked for some special advantage over his opponents. In many cases the individual trader identified the national prosperity with his own; and only found what he termed good business times when he himself was growing rich, wholly careless how many of his neighbours might grow poorer or be ruined. There were not, it is true, wanting every now and then strong heads and clear thinkers who saw the real grounds of national wealth and prosperity, and raised a protest from time to time against the popular fallacies which fettered and crippled trade. But these were long regarded as mere theorists, and little attention was paid to their warnings.

The first damaging blows which monopolies received in our country came from the general body of the people, feeling the oppressive tyranny of the swarms of licenses and protective restrictions in domestic trade. Here the matter came home to all, and there was no room for mistake. It was not the question whether some foreigner should suffer for English interests, but whether a few individuals should levy oppressive taxes on the rest of the community. Thus the subject of free trade came to be discussed gradually and practically with intellects sharpened by self-interest. No defence was or could be maintained for monopolies or privileges on their own merits. Vested interests, property in the exclusive privilege acquired by purchase, and the right of the crown to

grant these favours, exhausted the arguments of their supporters. The wisest of our Tudor monarchs saw that the case was hopeless, and prudently promised to redress the abuses before the general discontent grew loud and dangerous. From this time the system (though long partially maintained by the blind tyranny of the Stuarts) was doomed; and it was accepted as an undoubted conclusion to be more advantageous for the country that there should be just as many people in every trade as chose to enter into the business, than that a few persons should have special licenses which secured them a monopoly from all competition—however much these few might deplore the loss of their power to force people to buy their wares at their own prices for want of liberty to deal elsewhere. Thus, at home, the system of private licenses received its death blow in the reign of Queen Elizabeth, though portions of the abuse long remained, and in some few instances exist even in our times. But the protective system of our foreign trade lasted much longer. The interests of Englishmen, and those of the countries they traded with, were long supposed to be diametrically opposed, the one to the other. It was assumed that if trade were left free it would enrich the foreigner by profits which could, by proper regulation, be secured to British subjects. Our ships, our manufactures, and our produce, were alike to be protected from foreign competition. The navigation laws, the corn laws, the usury laws, and those prohibiting the export of machinery—parts of this protective system—have been noticed when discussing the effects of their repeal. It will, therefore, suffice here briefly to examine the general questions of differential duties, prohibitions, and protections to manufacturing and other interests. This examination has more importance at the present time, as many nations who ought to be our best customers are in some respects behind us in legislation on this subject. Class interests are too strong with them to allow the common good of all to be considered in framing their commercial laws. Therefore some reasons why they cannot long safely neglect to follow the example recently set by the enlightened commercial policy of France, may be recommended to their attention.

The triumphant success which has in England followed the abandonment of our protective policy, cannot be denied. But it is contended that we had before risen under the shadow of this protection to such a towering height of strength, that we are now well able to throw away the support and stand erect, calling on all other nations to do the same. Direct competition with us on their part being hopeless, they allege that it is clearly our interest to try, by appealing to our present prosperity when unprotected in our trade, to prevent them from following the system which has raised us to this commanding elevation, and might enable them to mount nearer after us. There is the appearance of an argument in this, and it is worth while to refute it by showing how the case really stands. If it were really true that we had any interest in other countries being far behind ourselves, we could desire no better than to leave them the victims of this fallacy of hugging the fetters which so long bore us down, and which we have at last thrown off. But, as we have before remarked, the wealthier and more prosperous are other countries, the more they help to increase the wealth and prosperity of England. We seek to trade with all the world. No foreign rivalry or competition can do one tithe of the injury to our commerce which is caused by the stagnation or poverty of our customers. No freedom from their competition can in any degree compensate for loss of the vast benefits we derive from their being rich and prosperous. Therefore we entreat them carefully to examine the real working of the protective system so long in force amongst us. In so doing they will find how it hung over us with a weight which nothing but the vast energy of our insular industry could have borne—that it was no element of strength, but really an incubus under which few nations, save England, could ever have stood erect.

In tracing our most flourishing manufactures and branches of commerce back to their origin, it is true that many of them will be found originating in monopoly and long fenced by protection. But, as we have seen, protection and monopoly were the leading features of the times when our commerce and manufactures arose, and they therefore could not have had any other beginning. Whether this protection was really the

cause of their growth and prosperity, or a hindrance which long crippled and dwarfed them, will most clearly be seen by marking their condition before and after they were left free—exposed to all competition, to fall if they could not stand by their own strength. It will be found that in some cases healthy vigour has only begun to exist from the moment when protection was given up; and that in others the growth, which before was comparatively slow, has increased from this point with rapid and gigantic strides; but that in no single instance can decline or decay in any sound branch of trade or manufacture be traced to the abandonment of monopoly. And the reason for this is obvious. Nothing can compensate for the want of competition. When each is exposed to the chance of being excelled by a rival in cheapness or excellence, and if so surpassed loses the custom on which he depends for support, he uses every effort to maintain a leading position by keeping up the character of the trade or manufacture in which he is engaged—he strives to do his business as well as possible. All must keep pace with each successive advance; for to be left behind is to lose existence. The support afforded by monopoly is given on widely different grounds. Exactly in proportion as competition is excluded, is taken away all inducement for any attempt at improvement, and directly contrary influences are set to work. Secured from all danger of losing by degradation, the protected trade or manufacture generally declines in process of time. In this respect protection may be likened to a crutch. The man leaning upon it cannot much quicken his pace or turn rapidly, and will never overtake another having free use of his limbs, unless he can throw it away, put both his legs to the ground, and use them well. All natural indications of good or faulty management are lost when some profit is secured by protection, even to the worst system. Thus the trader who, if left to the free influences of causes and effects, would have been forced to do his business as well as possible if he meant to live by it, is not warned in time by his losses when anything is wrong. He goes on in one grooved track—far behind his times—till some accident disturbs the routine, and for a while he is unprosperous. Then a cry is

raised for more protection; the trade of the country, it is said, will be ruined if not properly supported. Prohibitory duties must be increased or larger bounties be given, and a vain attempt is made to prop up a structure rotten at the core until all falls to decay together.

If we turn to consider the general interests of the community, we shall soon see how deeply they are injured by the system which fails really to profit those for whose benefit it is enforced. Capital is increased like money, put out at compound interest, where the interest, though but a small amount at first, being continually used as an addition to the principal sum, swells rapidly; each successive earning being made, as soon as received, the means of future gain. But where the profits, which should thus be continually added to the capital, are diminished or cut off, this increase cannot go on; and, therefore, the national loss must be measured, not by the mere diminution of these profits, but by the destruction of the continually accumulating capital which they would have created. The obvious tendency of monopolies is to prevent every man from dealing where he can do so most to his own advantage; and the extent to which they check national prosperity as well as the immense relief afforded by their removal, will be understood by reflecting upon their influence, direct and indirect, in preventing the growth of capital in the manner above noticed.

The only plausible defence which can be made for any portion of this protective and prohibitory system is, that certain manufactures or branches of trade, which much enrich a country, could not, in some instances, be founded without its help. Other nations, it is urged, have so far got possession of the lead that direct competition with them is hopeless so long as the protected branch of industry is in its infancy. But even in this instance, protective policy, carefully examined in all its consequences, will be found injurious to the people seeking its support. Peculiar differences of climate—position—products—race—and institutions, fit different countries especially for different pursuits. Each goes farthest and has most success in its own particular career. Any forcible

attempt to divert capital and industry from what may be called their natural channels, tends to diminish rather than to increase the national wealth and prosperity. The proper method of making agriculture, trade, and manufactures flourish, is to remove all burthens upon them and to leave them free. Each nation will be led by the certain operation of the stimulus of self-interest to do that which it can do best and most profitably. No rivalry with the foreigner may be attempted in certain products, manufactures, &c., in which another country may, for peculiar reasons, have some advantage, but the fullest expansion will be given to all pursuits and undertakings in which far more success can be achieved, than any artificially protected business could afford. Were England to try by bounties to foster a hot-house growth of grapes to compete with France in wines, or of mulberry trees and worms to rival Italy and the East in producing silk, she would not act more foolishly than did France in attempting to sustain her iron manufacture by protection. It is difficult to estimate the full extent in which many most important interests in France have suffered from being forced to pay dearly for bad articles of iron of home manufacture. Her bitterest enemy could have contrived no better scheme to prevent her from keeping pace with other nations, than loading her industry with such heavy fetters. That so loaded she has made any progress at all, is highly creditable to her energy and capabilities, and increases our regret that so fine a nation has so long been thus crippled. A better future is now before her. The full fruits of the commercial treaty between England and France cannot be reaped in a day. When fully matured they will place France far at the head of Continental Europe in power and opulence, unless other nations are wise enough speedily to follow her example.*

* In mentioning this trade treaty with France, the name of the statesman to whom we owe its benefits must never be forgotten. Richard Cobden stood foremost of that body of eminent men who, after an arduous struggle, won for our country free trade in corn and provisions. He has since carried through this measure, which may be said to open two neighbouring countries to each other as completely as if the route for

But it may be argued that, even granting that protection is unwise were times of peace alone to be considered, a sacrifice must be made to provide for strength and safety in war. For this purpose, it is said, the nation must possess within itself the necessary manufactures and stores of requisite articles, for which it would be dangerous to depend on foreign supply. This is all a mistake. The main sinews of warfare are men and money. If a nation is feeble-hearted and poor, no accumulations of stores and muniments of war will defend her. If, on the other hand, she is brave and wealthy, she will always, by proper care, be abundantly supplied with all means of attack or defence, and have the power of using her resources successfully. The true policy is to leave the people free to develop their progress. They will thus be attached to their country, and possess the wealth needful to carry on war. History abundantly confirms these truths. No country enjoying full freedom of trade has ever been abject or powerless; but restrictions and monopolies have repeatedly reduced flourishing states to a weak and degraded condition.

Excessive duties and imposts defeat themselves. Nothing can, in the end, wholly counteract the strong tendency of trade, like water, to find its natural channels, bringing what is wanted to the place where it is wanted. Smuggling and contraband trade become a regular system where the principles of protection are carried to their fullest extent. This produces much demoralisation. The laws are brought into contempt, and the breach of them ceases to be thought a crime when the industrious citizen is forced by their oppressive tendency to assist or to connive at their infraction. It is now universally agreed that duties should be levied only as a means of raising revenue; and that, for this purpose, they are only effectual when so light as to be easily borne, and not to prevent the fullest expansion of industry.

One argument yet remains to be considered as the last posi-

commerce between them was now first discovered. Whilst health and life continue, men seldom pause long in a career, like his, of noble usefulness. Let us hope he will long be spared to achieve further renown.

tion usually defended by the advocates of protection when forced to abandon the rest of the system. Many who agree that we should leave trade wholly free with all nations who will trade freely with us, contend that we should load with duties the imports from those countries that lay heavy duties upon our exports. They will not admit that free trade is beneficial, unless there is reciprocity. The only argument for retaliatory duties is, that they may induce the foreigner to abandon his foolish restrictions, and leave trade free on both sides. But their direct effect is to tax our own subjects as much as those against whom they are levied — perchance more. In like manner, any people laying heavy duties upon our exports, suffer from those duties far more than we do. If we suppose that our policy will have no effect in putting an end to this unsatisfactory state of things, and merely consider our own direct interests, no duties levied by other countries should induce us to follow their example. Our obvious course is to leave things to themselves. In that case, our merchants will continue just so much trade with the foreigner as has not been rendered unprofitable by the duties he has imposed, and no more. If in a spirit of retaliation we interfere with this trade by duties on our side, we either force the English consumers to pay higher prices for what they receive, or destroy altogether what trade may remain with the country in question. In either case, the sufferer is our own countryman, not the foreigner.

The following chapter deals with what may be considered as another form of protection, viz. Guilds, Companies, &c., which, in some cases, have enjoyed a trading monopoly; and with it this subject will be exhausted as far as our limits permit.

CHAPTER IV.

GUILDS, COMPANIES, PARTNERSHIPS, ETC.

How the division of labour created various trades and callings in the earliest stages of society has been traced in our former chapters. At first every household is a little community, representing in its several members, as far as their simple wants require, the various classes of a more civilised organisation. As numbers increase, families become tribes, and still carrying on the domestic system in which they originated, the several trades and callings are taken up by different households, descending in each from father to son. This rule of succession, which is strongly marked in all thinly-peopled and semi-civilised countries, receives its full development in the East. There, sanctioned by irrevocable religious and political usages and regulations, it assumes the proportions of a law of nature, expanding unchanged as wealth and population increase. But interesting as are all the bearings of caste upon the social relations of the communities under its despotic empire, they are beyond the scope of our present inquiry, except in allusion to their analogy to the guilds, companies, &c., now to be considered.

In our last chapter, the granting of trade licenses was mentioned as a resource of rulers finding how easily their revenues could be increased by the sums thus levied. This system was largely carried out by the formation of guilds, companies, corporations, &c., of which vestiges at this day remain in England in the several companies of the corporation of London and elsewhere, and which are yet in full force over a large portion of the continent of Europe. The same causes which have been noticed as forcing the merchants in early times to associate in armed caravans for their protection, and as leading to the union of many commercial towns for the same purpose,

were the reasons why the several trades, &c., sought from governments, and paid heavily for, these powers of association for mutual defence. In these trade guilds the family organisation is retained and expanded; the whole trade so united forming, as it were, one large family, with the master at its head. A regular apprenticeship and proper length of service are required as the qualifications for admissions into the enrolled number allowed to practise any trade or calling. This restriction, confining the exercise of each several branch of industry to a privileged class, was long looked upon as a benefit, not only by those whom it favoured, but by the community at large. At the time when these guilds first arose, society in Europe hardly recognised what may be called the burgher class. The agricultural populations were under the protection of the noble and powerful landowners whose ground they tilled, and to whom they did suit and service. In this state of things it was needful for merchants and manufacturers (then called traders and craftsmen) to associate in towns for their own defence. Sometimes they were wholly independent, trusting to their burgher militia and city walls; but oftener they sought a safe resting place in the dominions of some king or noble strong enough to protect his dependants, and who made them pay heavily for the security afforded.

That tendency to decline for want of competition, which was remarked in our last chapter as the attendant of monopolies granted to individuals, was, in this case, counteracted by the vigilance of the governing council in admitting none to the freedom of the guild who had not gone through the required apprenticeship and given sufficient proof of skill in their craft. By this means, and the emulation of different towns, great excellence was often reached; as the buildings, metal workings, statuary, pictures, and manufactures generally of the middle ages which remain to this day sufficiently attest. The design and execution of many of these noble works have the character of their times as strongly impressed upon them as the age of Pericles is reflected in the inimitable remains of Grecian sculpture and architecture, alike defying all attempt at rivalry or reproduction. But this excellence is accompanied

by the great evil of the prevention of all growth and expansion. In such a state of things it is clearly the interest of the masters to prevent, by restricting their numbers, such competition as might reduce their profits, and under this system towns remain stagnant or decline. This causes the most adventurous, and often the most skilful craftsmen to seek a wider and freer field for their powers in other countries, where competition is unrestrained. As was remarked of free and slave labour, fettered industry of any kind cannot long exist in conjunction with that free from all restraint, and all that has the power to choose soon seeks a land of freedom, leaving the place where all is shackled to gradual decay. In the times when there could be no trades or callings save under the protection and rule of guilds, these guilds flourished. But in our days they have ceased to be useful and barely exist, all energy and opulence deserting the countries under their rule. And though it may be impossible to rival, in their own way, the works of art they produced, the recent progress of our artists and manufacturers encourages the hope that we may yet see works produced almost equally worthy to hand down the spirit of our times to succeeding generations.

For the sake of connection we here notice the whole class of privileged bodies, whether engaged in trade or manufacture, though much of the previous part of this chapter properly applies to a former section. We shall now consider the application of the same principle to commerce. The early merchants of our country associated themselves for the protection of their traffic in commercial companies, generally named from the lands with which they traded. They purchased charters and exclusive licenses to carry on certain branches of foreign traffic, and by their union obtained the command of large capitals, enabling them to undertake enterprises wholly beyond the reach of any private trader in those times. Fierce contests with foreign merchants and companies arose for certain monopolies of commerce and settlements in various places. These strifes frequently assumed the proportions of little wars, the varying fortunes of which cannot here be traced. It may, however, be remarked that on the whole these companies were

generally successful, and laid the foundations of our present extensive trade all over the world. In their day they were eminently useful — perhaps, indispensable; but all necessity for them has long disappeared, and the last remains of these powerful corporations down to our times were the Hudson's Bay and East India Companies. Each of these possessed extensive and valuable territories — of themselves ample dominions for a powerful state. The recent discovery of gold in the rivers flowing into Vancouver's Straits, and increasing knowledge of the immense value of great part of the territories of the Hudson's Bay Company for settlement, have caused an arrangement which will finally transfer to the Crown and people of England the valuable countries in their possession. As our readers are aware, this transfer has recently been made in the case of the East India Company; the rise of which, and its power and prosperity in its palmy days, read more like a romance of the land of their dominion, the East, than a page of real history. Both companies have long outlived their use. In the direct trading for which they were first formed, they have been wholly left behind by the elastic force of private competition and enterprise — a fate to which all monopolies are irrevocably doomed from the first moment when any breach is made in their fence of protection. As landowners whose estates are large provinces, the Hudson's Bay Company is injurious to our North American interests, by keeping for hunting and trapping grounds fertile tracts, which, divided into farms, would support a large and prosperous population. And the East India Company, long after ceasing to be traders, played at ruling their vast dominions in a way which, unless the country had abrogated their functions and taken the East Indies under the direct control of Government, threatened to have one day involved us in immense sacrifices of blood and treasure to support a position from which we could not recede without national dishonour.

Thus companies of trades and chartered commercial companies may, so far as Great Britain is concerned, be considered as things of the past. But other kinds of companies for various purposes have of late so multiplied as fairly to be reckoned

amongst the great commercial features of our days, claiming special attention. The state of the law of partnership must therefore be considered, and those changes noticed in which these companies mainly originated, and have since attained their present proportions and development.

When men unite to trade or carry on business under what is called a firm or house (of trade), their claims upon each other are defined by the agreement they have made between themselves, as to the share allotted to each of the profits and losses of their business. They, generally, by a deed, called their articles of partnership, settle the capital to be found by each for the common undertaking — the manner in which the concern shall be carried on — the period for which the connection or partnership shall endure, and the proportion belonging to each partner of the results of the trading, be they profits or losses. But these regulations as to sharing liability are binding only between themselves. Each member of the firm is liable with all his private property of every kind for all the debts of the whole firm if the partnership property is not sufficient to discharge them. Creditors have merely to prove the actual partnership, to fix him with this liability for all the debts, whatever may be the proportion which he and his partners agreed in their deed that he should bear. Thus the receipt or expectation of a very small portion of the profits, renders him responsible for all the engagements of the concern in which he has embarked. This is the general commercial law of partnership, which has recently, in some particular cases, been modified, so far as trading companies are concerned, in the following manner.

In ordinary cases of partnership, where each men is supposed to understand his business, the weight of this individual liability does not seem formidable, being little more than each partner would incur if trading by himself alone. But many undertakings which require large capitals are very seldom carried on by private partnerships. A number of persons subscribe to form what is so well known in our times as a joint stock company. It has been before noticed that commercial companies of this kind were the cradles of our foreign

trade; but have now, for some time, been wholly superseded by the enterprise of private merchants. These commercial companies were generally constituted by charters or Acts of Parliament, which made them trading corporations instead of mere partnerships under the liabilities above noticed. To our days, fire and life insurances, mining, road and bridge making have each continued almost exclusively in the hands of companies, and to these have more recently been added railways, and an increasing share of banking business. Besides these, inventions, patents, and many other building, manufacturing, and various businesses and undertakings are often attempted by joint stock associations. Some important differences between these associations and private partnerships are patent on the surface. We have here two wholly different classes of parties interested:—First, the shareholders, who find the capital; and second, those who carry on the business—directors, managers, &c., or whatever they may be called. The risk to which the shareholders are exposed in this state of things is apparent. They are wholly at the mercy of the managers. Even if they are competent to discover any errors leading to misfortune, they can seldom, if ever, interfere in time to prevent the ruinous result. In fact, with very few exceptions, as a class, they know nothing whatever practically of the undertakings in which their money is embarked. Therefore, the extreme perils of the unlimited liability of partnership mostly deter the prudent and far-seeing from running the risk of being answerable for a mass of debt, ruinous to an individual, however tempting may be the lure of profit if all is successful. In order to induce the rich and prudent to embark in these joint stock associations, it has consequently been found needful to modify this liability in the manner we shall now describe.

Abroad, the principle had long been introduced, even in commercial partnerships, of enabling parties to join the trading, risking only a certain portion of capital, without incurring personal liability. This was effected by creating two classes of partners—the sleeping, as they may be called, who put a certain sum in the business, and are entitled to a stipulated

share of the profits; and the managing, who are personally liable with all their property for the engagements of the firms, as all partners are in England. As we have remarked, amongst us this distinction between sleeping and active partners exists only in the private agreement of the firm, leaving all equally liable to general creditors until the partnership is dissolved by notice in the 'Gazette;' after which any partner so retiring is not responsible for any debts contracted after he withdrew, unless there are some special circumstances depriving him of the benefit of the advertisement. The first introduction of the principle of limiting the liability of each partner rendered this withdrawal very easy without any advertisement, with full security against all subsequent liability, in one particular kind of mining adventures, carried on under what is called the cost-book system. This is the first exception to the application of the law of private partnership to all companies not incorporated by charter or a private Act of Parliament. So far as is needful for our purpose this cost-book system, recognised by ancient usage and especial regulations in Devonshire and Cornwall, and perhaps capable of application elsewhere, may briefly be described as follows: — The adventurers agree to work a mine for a limited period (generally two months) raising funds for that purpose. Each subscribes his name, with the number of shares he holds, to a memorandum or deed of association, written in a book called 'The Cost-Book.' This memorandum contains special regulations for carrying on the business in conformity with the leading principles which should be strictly observed to entitle the shareholders to the privileges of the system. Complete accounts of the concern, stating costs, receipts, and liabilities of every kind must be inserted at fixed periods (mostly every two months) in the cost-book. A meeting of the shareholders at every one of these periodical balancings decides upon carrying on the works until another meeting, and makes a call to clear all liability, or divides profits, as the case may be. At any one of these meetings any shareholder formally withdrawing from the concern is entitled to have his withdrawal registered in the cost-book at the time, and receives his share of the concern as it then stands, and by

paying his share of the liabilities at that date, is released from all future responsibility of every kind.

Charters incorporating companies with limited liability have long ceased to be granted by the Crown; and similar protection cannot be procured from Parliament, unless a very strong case can be made to show some great public advantage from passing such a private act. Private acts are, with few exceptions, confined to what partakes of the nature of public works — roads, bridges, canals, harbours, or the like, so far as joint-stock or trading companies are concerned. The well-known instance of railways shows how attractive is this security from unlimited liability afforded by Act of Parliament — by the immense capital rapidly and eagerly invested in these undertakings, and the ease with which that capital is even now continually increased, in face of the daily reduction of the profits of these concerns, from competition and mismanagement. For a long time it was next to impossible to form a company for any purpose save a railway, or some other undertaking for which an act could be obtained. This state of things caused strong attempts on the part of many men of business to extend the system of limited liability, somewhat on the principle which it was alleged had worked so well in other countries. After committees had been granted, and much evidence on both sides had been adduced, Parliament decided to leave the law unchanged as far as private partnerships are concerned, but yielded to the strong representations advocating a relaxation in the case of joint-stock companies. Following one or two abortive attempts at legislation on the subject, which need not here be described in detail, what is called the 'Limited Liability Act' was passed, enabling any company conforming to its regulations to limit the liability of each shareholder to his share in the company as fully as if the company were formed by special Act of Parliament conferring this protection.

This important measure has too recently been enacted to enable us yet to have long experience of its working. So far the results have been precisely what might have been anticipated. Much capital has been set free for useful purposes,

which under the formidable risks of the old partnership law would not have been thus invested. On the other hand, swarms of mushroom companies have started up and come to speedy ruin. This result might have been predicted with certainty. We have already remarked upon the disadvantages at which companies managed by boards compete with private traders; and how much vigour, knowledge of business, tact, and ample resources are required to overcome these difficulties and make their undertakings profitable. In all these respects the companies whose failure we have noticed were miserably deficient; and no better termination could have been expected. It may, however, be hoped that upon the whole the benefits of this alteration of our commercial law will outweigh these drawbacks; and that, especially now, when stringent enactments have been made to render breaches of trust and commercial frauds more easily detected and punished, directors and promoters will be taught by bitter experience the perils of what are too frequently little better than attempts to swindle the public.

Two exceptions may, we think, with advantage be made to the system of limited liability — those of insurance companies and banks. In both cases the business consists of engagements with the public, the failure of which involves wide-spread ruin and distress; and the successful performance of which requires amply sufficient capital, sound business knowledge, and thorough good management. There does not, therefore, seem any good policy in making it easy for any other than wealthy, prudent men of business, with their eyes well open to the risks they run, to establish insurance offices or banks; especially as the greatest losses of both are incurred in their earliest stages, and therefore the most disastrous failures frequently occur in attempting to found a business.* The great argument for granting this protection to banks has been that under the old state of the law unsound banking companies were continually formed and failed, causing wide-spreading misery.

* The law of limited liability does not extend to insurance companies.

We shall be glad if experience shows that these evils are diminished by the change. But on this head we are sceptical, knowing well that upon good management, and that alone — not upon any amount of subscribed or paid-up capital — the safety and trustworthiness of all banks depend; as will be more fully illustrated in a following section.

SECTION II.

BUYING AND SELLING

CHAPTER I.

BARTER AND SALE

FOLLOWING in detail the transactions of commerce, of which we have just drawn the general outline, this section will consider the main operations of all traffic: viz. buying and selling, which in our present chapter will be traced from their first appearance as barter, in the early ages of society, to purchases and sales as they are made at the present day.

Excluding inheritance, the possession of property can only be transferred from one person to another by force, fraud, or compulsion by loss,— and finding,— by gift, or by purchase and sale. Our readers will so easily trace for themselves the necessary legal conditions to secure possession by the three first modes of transfer, that further detail of them would be needless. We shall, therefore, confine our attention to the last, which, unlike the two first, requires the agreement of the owner parting with the property, as well as of the party receiving it, as to the terms on which it is transferred. Unless the buyer and seller alike consent to the transaction, there can be no barter or sale. It is also needful that the entire and absolute ownership of the property should be transferred by this transaction; otherwise it would be no sale, but merely

loan, pledging, hiring, or agreement for use, &c. The idea of sale necessarily includes the acceptance by the seller, finally and conclusively, of something in place of the article sold. In the first stages of society this is effected, as we have before remarked, by the simple exchange of one thing for another, called barter. We find, however, from the sacred records of a very remote antiquity, that in the East the use of money was then known; and the first buying and selling of which we have any account was for silver, weighed and counted, about the time when wages were paid in a portion of the flock tended. The mode of effecting purchases and sales recorded in the Bible, is in many respects the same as yet prevails in the East to this day, though different from those with which daily use makes us familiar at home. In important transactions, the elders and men of repute were gathered in the gate of the city to witness and attest the transfer of the property for an agreed price received by the seller. This requisite agreement of buyer and seller, which in the East is proved by a customary form of bargaining* before witnesses, is, in the commercial law of Europe, established by the contract of sale. This contract must specify clearly what is sold, the agreed price, and the terms of delivery and payment. In most cases, many of these conditions are so well understood and established by uniform usage that they need not be repeated in each separate agreement. What is called the custom of the trade settles a defined mode of delivery, payment, &c., varying in different articles and places, but universal amongst the merchants and dealers in those branches of business and countries to which the custom applies. Unless these customary terms are varied by clear and distinct agreement between buyer and seller, they regulate each contract just as firmly as if in every instance fully expressed in words. This custom of trade also regulates whether the contract for sale shall be in writing or merely by word of mouth,—what our lawyers call a parole contract.

* In some places a sort of wrangle has to be rehearsed, even when both parties are well agreed as to the bargain, merely as the customary form to give validity to the dealing.

But though the verbal contract when sanctioned by uniform custom is as binding as the written one, yet in case of dispute the exact terms are not easily proved where there is conflicting evidence in the matter. Therefore (with some few exceptions), in all important dealings, a written contract or note of sale passes between the buyer and seller or their agents. This note of sale should clearly state (subject to the general custom of the trade) what have been above mentioned as the essential parts of every valid contract. In many cases the quality of the goods sold is determined by description, or by a small quantity called a sample; and when these are the terms of sale, it is obviously essential that the description should be in precise, well-understood terms, about which there can be no dispute, and that the bulk, as it is called, of the article delivered should throughout answer to such description, or be fairly represented by the sample on which it is sold.

It has been noticed as one of the necessary conditions of a sale that the absolute ownership of the thing sold should pass from the buyer to the seller. In this condition, however, the refinements of what may be called speculative commerce have introduced a modification. Contracts in our days are often not for any transfer of present possession, but for something to be delivered at a future time. These transactions are too often mere gambling speculations; and their ruinous consequences will be traced in a future chapter. They are frequently entered into with no intention on either side of any delivery of the thing sold, being merely a particular form of betting upon future risings or fallings of prices. Contracts of this kind are very properly looked upon with no favour by the laws of our country, and can only be enforced when specified very clearly as to price and term of delivery, or where the transaction is obviously *bonâ fide* purchase and sale, and not merely such an optional and vague engagement as cannot be held binding upon either party.

We have remarked in a former chapter that in early times and thinly-peopled countries the merchant sold his own merchandise, being a shopkeeper when resident in one place, and a hawker or pedlar when travelling by caravan on land or by

ship from coast to coast. All these forms of merchant life in the East are vividly and truthfully painted in many of the Arabian Nights' Tales, which may fairly be called photographs of Oriental manners and customs. When merchants first sent their ships on long trading voyages, a supercargo, as he was termed, was generally on board, entrusted with the sale of their goods. Except in some few particular cases, these modes of doing business are in these days superseded; brokers and commission merchants being now numerous in almost every quarter of the world, to whom the goods can be sent, or, in mercantile phrase, be consigned for sale.

Fairs (now almost wholly confined in our own country to dealings in farm produce and cattle) were formerly the principal means of buying and selling upon an extensive scale; and some of them abroad, as our readers are aware, yet retain considerable commercial importance. In thinly-peopled and widely-settled countries, the cost of transporting produce and merchandise to and fro often far exceeds the entire value of the articles conveyed; therefore, many useful and valuable products of the soil, &c., are wasted or destroyed because they will not bear the expense of carriage to a place where they are wanted and would command a good price. In like manner, the country resident would often gladly purchase many useful necessaries if he could afford to visit the places where they are sold, and pay the cost of their transport to his dwelling; though the quantity he may require is not sufficient to make it worth while for any trader to visit him with the supply. Therefore fairs are held at places best situated for the convenience both of buyers and of sellers; and such times of the year fixed for them as may best suit the sale of cattle, produce, &c., and the laying in of stores to last until another fair comes round. The cost of transport and loss of time on the journey are made lighter by buyer and seller meeting as it were halfway on the road; and by each journeying to and fro full-handed — going with what he offers for sale, and returning with the purchases he has made. But this process, though making the best of a difficulty, seems a very cumbrous mode of doing business, compared with the steamships, the rail, and the

electric telegraph of our time. It is only by comparison with a primitive state of things that we are fully alive to the immense advantages we enjoy, as matters of course, in our daily dealings, where buyers and sellers bargain hundreds of miles apart, and the things sold are often delivered, having travelled the same distances, as soon as the letter by post containing their invoice.

Our country markets* were originally held under the protection and authority of the feudal lords of the soil, who levied tolls and dues on all offered there for sale.† With few exceptions, the right of holding markets has now passed from these chiefs to the municipal bodies governing the place, whether town councils or magistrates. When plunder was so universal as to be almost an established social custom, the sale of property in open market gave a good title to the buyer, even when the seller had stolen the goods. It was assumed that the thief would not dare to appear at market, openly offering stolen goods for sale; and that the person from whom they were stolen, if he used due diligence, would be there to claim his property and to punish the robber for the theft. This customary regulation shows the presumption that in those days every one attended market; and also that the quantity of stolen property was then so great, that without this protection no buyer would be safe in purchasing anything offered there for sale.

Various laws have, from time to time, been enacted to fix the prices of things sold in markets, especially of provisions; and what are called forestalling, engrossing, and regrating have been declared crimes, severely punished by law. By these

* The word 'market' is often used in commerce in a wider sense, extending both to places of purchase and sale generally, and to the course of transactions in any article. Thus the home and foreign markets, the money market, &c., are spoken of, meaning the course of home and foreign trade, of dealings in money and the like.

† With some few exceptions, dealings in markets are with us now wholly confined to provisions. Exchanges, or places for merchants to meet for business, have wholly superseded them in general commercial transactions, though in one or two instances the name of market may still be given to what is really an exchange.

terms are generally meant various modes of buying up the whole supply of anything offered for sale at market, to be resold at higher prices to those going there to buy. In England, however, it has long been understood that prices are best settled between buyer and seller, and that free competition protects the purchaser better than any interference of Government. In this respect we are far in advance of our neighbours on the Continent, where stringent regulations, different in various countries, often help, by hampering and checking the free trade in provisions, to produce the scarcity and high prices they are intended to prevent. But with us, as abroad, all adulteration and sale of articles unfit for food are, on detection, properly punished by the inspectors; who also, from time to time, test the weights and measures used, to see that no fraud is practised by imposing upon the customer with deficient quantities. These are matters in which the interference of authority is useful and necessary for the public security.

The question of uniform weights and measures has been much discussed lately; and various regulations have at different times been enacted to enforce the sale of corn, &c., by one legal measure, in place of the many various weights and measures in customary use in different markets and districts. But although the immense advantages of uniformity are so apparent as to be recognised by common consent, yet local weights and measures, like local customs and dialects, can hardly ever be wholly extinguished. Few things are more interesting to the student of history than to remark how peculiar customs of various kinds, often confined to very narrow districts, survive changes of government—remain the same, even when dynasties have been overthrown, and are handed down to our times long after their origin has been forgotten, and lies buried in the unwritten annals of past generations.

The different forms of sale by auction, or by tender, and the general employment of brokers or men skilled in some particular produce or wares, who transact the business between buyers and sellers in their several departments of merchandise, are all too familiar matters to need explanation here. By

these means, and by wholesale and retail shops, each dealing in its own peculiar class of wares and commodities, sales and purchases are almost wholly carried on amongst us at the present day.

CHAPTER II.

VALUE AND PRICE

THESE words may perhaps seem, at first sight, to many of our readers to be merely different forms of expression, having one and the same meaning.* They are so often used indiscriminately, that the common saying, 'The value of anything is just what it will sell for,' expresses a very general idea of value. Yet the distinction between the two words is apparent, when we consider changes of price; and we accordingly often say that some particular thing has been sold above or below its value. This distinction is real and necessary if we would avoid confusion of ideas; and value must therefore be kept separate from price in word and thought. In the introductory chapter on labour the origin of value was clearly traced. The value of any commodity or thing is the amount of labour and capital expended in its production, and in bringing it to market or to the place where it is valued. The equivalent of any thing, say A, is the portion of any other commodity, say B, which is of equal value with a given portion of the first commodity A. The price of any given portion of A or B is the sum of money for which it is bought or sold. Many writers on this subject use *value in exchange* in place of our term equivalent; and no objection can be made to that term, except the advantage of using the word value in its general sense alone, especially when it is too frequently confounded with price in speech and writing.

* The confusion that would follow from extending the meaning of value to utility, as some writers have done, is obvious. The quality causing desire of possession, has nothing to do with the cost of production.

On considering closely the above definitions, we at once see the difference between value and price. The value of any commodity can only be changed by some difference in the cost of its production at the place where it is valued—that is, in the capital and labour so expended upon it. If, from whatever cause, this capital and labour are increased, the commodity becomes of greater value; if, on the other hand, they are diminished, it becomes of less value than before. But the same commodity becomes dearer or cheaper—that is, sells for more or less price, from what men of business call the state of the market where it is sold. Many causes will, on examination, be found to cause different articles to vary in price—that is, to become dearer or cheaper from time to time, or, as merchants say, to rise or fall in the market without any change in their values. It will be needful to mention in detail some of these causes of such changes in prices, as errors have often been made by attributing to some one cause or other, according to the pet theories of different writers, all risings and fallings in prices, which really originate in many different causes in different cases. One of the most powerful of these—supply and demand—is the subject of the following chapter; and those changes produced by the scarcity or abundance of money, or what is called the state of the money market, will be noticed in the next section. It may be generally remarked that, whilst abundance or scarcity of any particular commodities merely produces a rise or fall in their prices, leaving the prices of other commodities unchanged, the effects of the state of the money market, and of speculative excitement and panic, are more or less felt in fluctuations of the prices of all things at the same time. To these leading causes of variations in prices must obviously be added any change which may take place in the value of money. The fluctuations caused by paper money or notes will be fully discussed in the proper place; but the gold and silver of which coins are made being themselves commodities—the natural value of which depends (like the value of all other commodities) upon the capital and labour required to produce them—they become higher or lower in value just in proportion as that capital and labour are increased or lessened.

The recent discoveries of new gold fields, and increased production of silver by improved extraction from compound or mixed ores, &c., are now slowly and gradually producing this effect. Both precious metals, besides being produced in greater abundance, are produced at less cost than before, and thus prices being measured in money have a tendency to rise accordingly; more gold or silver than formerly being obviously required to be the equivalent (all other things remaining the same) of any given commodity. It is clear that, on the other hand, if the cost of producing gold and silver was increased, prices would have a tendency to fall, from less gold and silver than before being the equivalent of the commodities bought and sold. The effect produced upon prices by the recent reductions in the cost of producing gold and silver, above noticed, has, up to the present time, been counteracted by the great improvements, so often before referred to, in agriculture, manufactures, transit, &c., which have so diminished the cost of producing commodities generally that the consequent tendency of prices to fall has, on the whole, been scarcely balanced by the tendency to rise, caused by increased cheapness of gold and silver. Thus the two disturbances in prices have so far balanced each other as to leave the effect of either less apparent. This state of things shows us how many causes combine to produce fluctuations in prices, and how much nice calculation would be required accurately to determine the effect of each.

Value is the level at which all risings and fallings in prices have a tendency to settle sooner or later. The reason is obvious: when the price of any commodity is above its value, high profits stimulate its production, and large supplies come forward until prices fall to the level of value, when the extra production, being no longer profitable, ceases. When prices are below values, a contrary effect is produced. But the time in which this adjustment operates, and the extent of its influence, vary under different circumstances in almost every instance. Much will depend upon the period required for increased or diminished production of the commodity in question to take effect; and upon the influence which the change in

prices may have had upon the demand for the commodity by causing more or less to be required. This influence may obviously augment or counteract the effect of the increased or diminished production, as the case may be. It may also happen that the power of increasing production is limited, or that the production, even when to a loss, cannot immediately be reduced beyond a certain extent.

A general change in prices will for the time, in some degree, alter the relative values of some commodities; for value being made up of cost of production and transport to market, any change in the rates for which materials, labour, freight, &c., can be procured, has an effect on the value of any article, the amount of which effect depends on the degree in which those elements changed enter into the cost of its production, differing, of course, in different commodities. Apart from this effect, a general rise or fall in prices leaves all equivalents unchanged —(that is, leaves all commodities the same in proportionate value as before one to another) — except the equivalents of gold and silver, when the variation of price arises from a change in their values.

There is a general tendency in values to decline; as new inventions and combinations continually lessen the cost of production and of bringing to market. The stimulus to this constant change is found in the large profits reaped for awhile by those who introduce any method of lowering the value of any commodity. These increased profits last until, by competition and increased production, the price is lowered to the point allowing the average profit on the reduced value. From this general law of decline must be excepted all productions of skill, genius, &c., and, generally, things of rarity and excellence, the values of which being continually measured by a higher standard of remuneration, have a contrary tendency to rise as wealth and civilisation extend.

Fluctuations in prices — differences at different times between values and prices, and between the price of the same commodity at different places, form a large portion of the merchant's profits and losses. His business is so to regulate his buying and selling, as to take instant and continual advan-

tage of these fluctuations and differences, by buying in the cheapest and selling in the dearest market. For this purpose he frequently labours in various ways to produce temporary risings or fallings in the prices of different commodities; thus causing a large portion of the fluctuations in prices for limited periods. But as the detail of his operations for this purpose will be examined in following chapters, it will suffice here to remark that, notwithstanding his thus frequently disturbing the level of prices, his operations, on the whole, tend to restore it, by adjusting and distributing the needful supplies where they are wanted, thus diminishing the differences at different places in the prices of commodities.

Some writers of great authority, watching the general fluctuations of prices through long periods, and seeing how their successive risings and fallings correspond in time and extent with changes in the money market, have been led to the erroneous conclusion that all changes in prices arise from changes in the value or price of money. It is true that all changes in the money market produce wide and general effects on all prices, as will appear when we consider all relating to money and exchanges in the following section. But many causes combine to produce partial or general fluctuations in prices at different times, and it is a mistake to assign all these fluctuations to any one cause, however powerful. Perhaps the most frequent and influential agent in these disturbances forms the subject of the succeeding chapter.

CHAPTER III.

SUPPLY AND DEMAND

In our first chapter of this section all the necessary conditions to effect barter and sale were examined — next were considered the value and price of the commodities sold, and the subject is now completed by inquiry into the circumstances affecting the desire of one party to possess, and the ability of the other to furnish the articles in question.

The words heading this chapter, as used in commerce, represent the stock or supply in the hands of the seller of any commodity, for which there is a want or demand on the part of the buyer. Sometimes this supply and demand are locally so near together, that the farmer or manufacturer may be said to have his market at his own door and can sell directly to the consumer or retailer; but in many cases the stocks of what is wanted in one country or district have to be brought from another place, perhaps at some distance; and the merchant's business, as before remarked, is to bring the supplies to the place where they are wanted. For this purpose he procures the best information of the stocks, and prices of various commodities in different places, thus seeing how he can make his profit by buying in one market and selling in another. In cases where he expects a future abundance or scarcity of any commodity, he sells his stock or lays in large supplies to gain from the expected rise in prices, or escape loss from their falling. These operations must now be further followed into their details.

The proportion of supply to demand has much temporary effect upon prices, which naturally rise with scarcity and fall with abundance. This temporary fluctuation in the prices of any commodity having, however, no effect upon its value, there is a continual tendency in the supply so to adjust itself to the demand as to bring prices to what may be called their natural level by the increased production and bringing to market of everything of which the price is so high as to leave more than average profit to the seller, and a corresponding check to the supplies when from low prices the profit on their sale is below the average. This increase and lessening of supplies have an obvious tendency to go on until prices rise or fall to a point where the profit on extra production vanishes, or the loss on the ordinary rate of supply no longer exists.* But though this general law is the extreme limit of changes in prices from

* A term often used commercially, may be here explained. An abundant supply, far exceeding the demand, is called a glut of any commodity; and the market is said to be glutted with anything of which large stocks are unsaleable, except at ruinously low prices.

variations in supply and demand, yet the extent of its influence and the period in which it operates will naturally be different in almost every different case. The effect of changes in price on demand must be borne in mind. In many cases where a commodity falls to a very low price, the excessive cheapness causes increased consumption, and *vice versâ*. It often happens that one article can be substituted for another when difference in prices offers sufficient inducement; and when its price rises to a certain point, the commodity may often be nearly or wholly dispensed with altogether. The operation of these limits to demand as of those to supply, above noticed, varies in each particular case. Therefore, the general bearing and probable effect of both limits must be carefully estimated by the merchant, whose calculations depend upon the future course of prices, for he can hardly succeed in his operations unless he measures with some accuracy the future as well as the present supply and demand of the markets in which he operates. These operations often extend to creating a fictitious demand, by means we shall more fully consider when discussing speculation and its consequences in the following section. It may, however, here be remarked that whenever this artificial demand stimulates excessive production, even of the most useful and necessary articles, the uniform consequence is individual and national loss; for by the process of reaction above explained, a fall in prices is sooner or later caused by more being brought to market than is actually wanted. This fall will, from the attempts to sell the surplus, continually tend to increase until checked by diminished production. The evils and losses of such derangements of the regular production of useful commodities are manifest. All employment of capital and labour in producing what is not wanted is in the end ruinous to the producer, and diminishes *pro tanto* the national wealth. On the other hand, as we have before remarked, the immense services rendered by the merchant when his operations are judicious admit of no dispute. By accumulating stocks of produce and other necessaries, he often prevents or mitigates the miseries of famine or scarcity, and prevents extravagant rises in prices from deficient harvests, fire, floods, or

other causes, by filling up the void with supplies from various sources.

In calculating the future course of supply and demand the merchant can seldom, if ever, safely base his operations upon distant or remote contingencies. So much depends upon events which cannot be foreseen, and on the workings of causes and effects which cannot be fully anticipated, that even when facts have been accurately collected, and to all appearance soundly reasoned upon, it mostly happens that the result is contrary to what was expected. The experience of this century furnishes some striking instances of this in our own country to those who are familiar with extended commercial transactions for some years back. It was at one time calculated by merchants of first rate standing and intelligence that the growth of cotton could not possibly be increased to keep pace in supply with our continually increasing manufactures. In anticipation of this presumed future scarcity, extensive operations were entered into which resulted in wide-spread loss and ruin. For although the increase in our manufactures proved even far greater than had been expected, the supply of cotton continually increased in a similar proportion, and its prices consequently fell instead of rising as had been looked for. A few years later a similar calculation, with exactly the same result of loss and numerous mercantile failures, was made as to an anticipated future scarcity of colonial produce—especially coffee and sugar. Perhaps some of our readers may remember an able and interesting work which attracted much notice when published, carefully computing the annual supply of gold from all the sources then known, compared with its average continual destruction and loss, as well as the increased demand from increasing population and civilisation. From this calculation it was proved, apparently conclusively, that gold was gradually growing scarcer and dearer to such a degree as would inevitably cause immense distress and confusion, unless its use as money was promptly discontinued. The Californian and Australian gold fields were then undiscovered, which have, as remarked in the previous chapter, operated upon the supply of gold so as to produce effects diametrically opposite to those above prophesied.

In no part of commerce have the use of steam by land and sea, the railroad, and the electric telegraph been of more essential service than in the regulation of Supply and Demand. Instead of being forced to keep large stocks of commodities at or near all places of great consumption, the merchant from one depôt can now supply countries hundreds of miles asunder more easily than he could in former times minister to the wants of his own immediate neighbourhood. Exact information from all parts can hourly be received as to what is wanted, and where and whence it can best be supplied, and the proper order at once be given and executed. Our readers will easily conceive the various and manifold advantages of this saving of cost and time in almost every transaction.

Another caution may, in concluding this chapter, be given to the merchant. He may almost invariably and safely, in his operations, rely on the rule that whenever prices are much above or below values, changes, perhaps sudden and great, must, sooner or later, be looked for—often from quarters and causes of which he has not the slightest warning or expectation. No permanency can be expected in such a state of things; and all who, forgetting the insecurity of the ground beneath them, go on building transactions upon it as if the existing condition of markets could be relied upon, even for a very limited period, are in much danger of finding out their mistake by sudden and heavy losses.

SECTION III.

MONEY, BANKING AND EXCHANGES

CHAPTER I.

CURRENCY, BILLS OF EXCHANGE, ETC.

THIS section will treat of the money transactions of trade at home and abroad; and our first step in this examination is to

describe the means by which these transactions are principally carried on. The words Currency and Bills of Exchange, heading the present chapter, comprise the bulk of what passes from hand to hand in making payments and settlements of accounts. Many of our readers have doubtless so connected 'the currency question,' as it is called, with every idea of 'confusion worse confounded' in word and thought, that it may be feared they will conclude that the promise of making political and social economy clear and easy to be understood cannot be kept in treating of this dry and perplexed subject. But, in fact, most of the obscurity in which the opinions of political sages on this knotty question are involved, exists in their own minds, and in their being wedded to pet theories, with which they first puzzle themselves and next their readers. It will, we trust, be found that this chapter will, with a little attention, be fully comprehended without any difficulty. It will greatly simplify matters to draw at the outset one leading distinction, which has been too often lost sight of by writers on the currency, but which must be kept clearly in mind throughout all our following remarks on the subject, viz. the difference between making payment and settling an account. What constitutes a money payment is fixed by the law of the land. It would seem a proper definition of payment that it should be an equivalent of the article, claim, or debt for which it is given. This would (according to our foregoing definition of an equivalent) require the payment to be something of real, not merely nominal, value. And this condition is satisfied by payment in the precious metals, left free to adjust itself according to the value of bullion. But by the law of the land, generally consented to in many countries, bank notes, or what is termed a paper currency, are declared to be a legal tender in making payments; that is, they are in all dealings to be taken for the value they represent, and the person offering them is held to have satisfied the debt for which payment is due just as completely as if he had offered the same amount of gold or silver. The effect of making bank notes a legal tender will be considered in the following chapter. One consequence of this distinction between payment and settlement of accounts at once

throws light on the commencement of our inquiry. By this we propose to define what is currency, which in this treatise will be considered as the legal tender in which alone payment can be made. By consent of the payer and receiver, many modes may be found of settling accounts which will have to be examined in detail. But in currency alone can a settlement be made by the debtor which the law of the land declares to be a final satisfaction, and which it is not optional for the creditor to refuse as such. It is clearly necessary that there should be no doubt what is or what is not payment, and this the law defines, by fixing what shall be a legal tender or currency. A confusion of ideas between payment and settlement of accounts has led to many different definitions of what is currency. All that passes or circulates from hand to hand in such settlements has by many writers been considered to form a part of the currency. What would be the error and inconvenience of this definition will best be seen by following in detail some of the principal modes of settlement of accounts without using currency, as we have just defined it. All these modes may be resolved into two general classes: credit circulation and transfers of property — of security or of balances of account. Credit settlements are so generally made by bills of exchange, that when these have been considered the remaining forms in which credit transactions appear, as affecting the circulation, are few and unimportant. In many credit transactions the payment or settlement of account is, by consent, put off to a fixed time; as in case of goods sold to be paid for in so many months, which means that the settlement for these goods is not due before the end of the time fixed. Again, when it is agreed that payment is to be made by a three months' bill of exchange — though the account is settled when the bill of exchange is given for the goods — the payment is deferred until the bill falls due and has to be taken up. It will be convenient here to describe briefly these bills of exchange, and their use in passing from hand to hand in settlement of accounts. A bill of exchange is a written order given by a creditor to his debtor to pay a certain sum of money at a stated time. The creditor giving this order is said to draw

the bill of exchange*, which must be accepted by the debtor writing his name upon the face of the bill, by which signature he confesses the debt and undertakes to meet the bill at a stated place on the appointed day. The bill generally orders payment to be made to a party named by the drawer, '*or to his order*;' that is, to the person whom this party shall appoint. This appointment is made in writing on the back of the bill, or, as it is termed, by his endorsement, which again is to the order of some party named. Thus the bill passes from hand to hand, until taken up by payment or settlement of account. Each party receiving the bill writes his name on the back, or endorses the bill, as it is termed; and if the party on whom the bill is drawn cannot take it up when due, each person having so indorsed the bill is bound to make good any loss those may suffer whose names come after his upon the bill.

It will be seen that *by the consent of those who agree to take it* the bill may thus circulate from hand to hand like a bank-note, and has therefore, as above remarked, often been considered as forming part of the currency. But, as we have pointed out, the power which everyone has of refusing the bill when offered, or agreeing to take it only upon certain condidions, clearly marks the difference between a credit circulation, such as this bill of exchange, and the currency, which is a legal tender, and cannot be so refused. The value of this distinction will become more and more apparent the farther our inquiry is carried. In every settlement of account where the bill is used, an allowance of interest until the bill becomes due has to be made. This allowance is called discount, and each person giving money or credit (deducting such allowance) for the bill from time to time is said to discount the bill. The time for which this discount is reckoned, and of course the discount itself, obviously varies, lessening day by day until the bill falls due, as it is termed. When the bill falls due, pay-

* The various forms of promissory note, bills at sight, &c., and many details are not here noticed, as not affecting the following reasoning which applies to all forms of bills of exchange. The general description given is sufficient to secure clearness.

ment of the amount is not always made in cash; but by agreement, other bills not yet due, or having, in proper phrase, some time yet to run, are frequently taken in settlement. It is clear that by consent such settlement may from time to time be accepted as each of these bills in its turn falls due, and thus payment never be made, but other bills having some time to run be always taken to meet those due in cash. Each of these bills being merely another engagement to pay at some future time, it is clear that until payment is actually made, or a balance struck in some of the modes hereafter to be considered, the debt in which the first bill of exchange originated is never discharged, but exists in some bill of exchange or other passing from hand to hand. This must never be forgotten in considering settlements by bills of exchange. They form a circulation of debt or acknowledgement of debt distinguished from the currency of the country, which extinguishes finally some debt or portion of debt every time it passes from hand to hand in payment. Therefore we exclude from our definition of currency bills of exchange* all notes of private banks (mere bills at sight, which anyone may refuse when offered as settlement), &c., and call them a credit circulation, which with the currency form the whole circulating medium passing from hand to hand in making payments and settlements of account.

The second mode of settlement of accounts without money payment has now to be considered, viz. transfers of property, of securities, or of balances of accounts. It will be seen that this mode of settlement differs from the credit system (in which payment is postponed) by extinguishing debt whilst lessening the bulk of money payments required in business. To this class belong the clearing-houses of our bankers and railways, where the accounts of each are regularly balanced, and payment made only of the balances remaining due at fixed periods. The old custom in Hamburg of keeping a stock of silver in the vaults of the bank, which never passed from hand to hand

* It is hardly needful to say that Exchequer bills, Bank post bills, &c., are all bills of exchange, only differing from others in the undoubted credit of Government or the Bank, and the certainty of their payment when due.

in payment, is another example, in which all cheques on the bank were merely entered in the books, and the property of each customer shown by the figures at his credit in the bank ledger. Debts between private individuals may clearly by agreement be settled by transfer in a like manner. Orders for the delivery of goods, or warrants, as they are called — bills of lading of goods on board ship, scrip, or certificates of any kind of stock, and many other documents representing property, may obviously also be used in settlement of accounts, on such terms as may be mutually agreed between the parties. These modes of dispensing with money payments are often largely resorted to in times of commercial fluctuation and panic, which will be more fully considered in a following chapter.

All these modes of settlement of accounts (especially all forming what we have called the credit system) are contrivances to carry on business with the smallest possible currency in proportion to the transactions of trade, by superseding the use of money as much as possible. The saving of the capital represented by, or existing in, the current money continually passing from hand to hand in making payments, is a perpetual inducement to extend these contrivances in every possible direction. But this extension is checked by the option every creditor has of refusing these modes of settlement, and of demanding legal payment of his debt. Superficial political economists, tempted by this saving of the actual value of the currency, which seemed to them a clear addition *pro tanto* to the available capital of the country, have supposed that it was in the power of Government to dispense with all real payments, by enacting that credit settlements should be a legal tender. All attempts to make a national currency wholly unrepresented by value, but depending for its circulation upon the credit and authority of Government, are such substitutions of credit for payment, under whatever form they may be disguised. The ruinous consequences of national dependence upon a circulation of this kind will be fully traced in the following chapter. It is, however, true that there may be considerable loss by a floating money circulation, or currency greatly in excess of

the wants of the country, as it is so much capital wholly unproductive, and merely continually passing from hand to hand. Therefore the continual use of credit in commercial transactions (so long as such credit is not extended beyond the power of everyone to keep his engagements) is a national and individual saving and advantage.

The general term money has often been used for currency. The words, however, are more conveniently kept distinct for clearness in reasoning. Money is the general term for the legal or recognised mode of payment in all countries. But different kinds of money, that is, various coins, notes, &c., form the current money of each country, which we call its currency. In this chapter we have considered principally the currency of England, consisting, as is well known, of—

Bank of England notes;
Gold sovereigns and half-sovereigns;
Silver, in various coins, from five shillings downwards, for payments under forty shillings; and
Copper coin, for payments under one shilling.

Our currency is, therefore, a gold currency; for the Bank of England notes, though a legal tender, must be paid by the Bank in gold on demand; and the silver and copper are not a legal tender above the small amounts named, being merely used for convenience in small payments. The consequences of the money of any country being debased in value, and the *agio*, or premium on gold, where the currency is silver, affect only foreign moneys, and will be considered in the following chapter; in which, and that on fluctuations and panics, the effect of the state of the currency on prices in general will also be fully noticed.

Much discussion has often arisen as to the amount of currency which ought to be in circulation amongst us at any given time. This is, however, a very simple matter. In a circulation like ours, of notes convertible into gold on demand, the limits of the currency are from time to time regulated by the wants of the community. We have just seen that, by the extension of credit circulation, and other modes of settlement of accounts, the want or demand for currency at any given

time may represent but a very small proportion of the transactions of the country. But this credit system — depending wholly upon the mutual consent of both parties to each settlement — has continual ebbs and flows; and hence continually arises what is called a scarcity of money from a sudden increase in the number of settlements in which payment is required. This will more fully be considered in a following chapter. It may, however, here be generally remarked that the regulation of the amount of currency in circulation exactly to supply the demand, is a matter requiring some time when this demand is suddenly and largely extended. Hence this so-called scarcity of money causes frequent inconvenience and interruption to trade. The operation of the credit system, as above shown, having been greatly to contract the currency, it may often happen that if each man entitled to demand payment refuses the credit settlement he would before have accepted, and insists upon receiving the amount due to him in currency, viz. in the coin and notes which are our legal tender, all the money in the country would not make one-tenth of the payments required. This obviously causes a scramble for money, making prices generally fall in a ruinous degree.

In this state of things, many men of high standing in the commercial world — Members of Parliament and others, who ought to know better — then clamour against Government and the Bank of England, as if some fault of theirs had caused the misfortunes produced by everybody wanting money. Little, if at all, more reasonable are they than the Turks of former days, whom we derided for seeking to remedy the dearness of bread, following a bad harvest, by bastinadoing all the bakers, or nailing them here and there by the ears to their shop doors.

Equally foolish, and perhaps even more ignorant, are those who think Government can by a mere law or Act of Parliament extend a paper currency at will, and so create capital to any amount. Yet in the ranks of these '*Wise Men of Gotham*' some Members of Parliament may also be counted!

It may be hoped that all the readers of this treatise will, from this and the following chapters, gather far sounder notions

of the real limits of our currency, and also see that it can only be safely based on real value. Thus they will become aware of the necessity for some sound knowledge on this important subject, by marking how widely the ruinous consequences of errors like those above noticed are frequently felt amongst all classes of our community.

CHAPTER II.

MONEY, BULLION, COIN, NOTES

In drawing the distinction between payment and settlement of accounts, payment was defined to be the equivalent of the debt. It was pointed out that by the law of the land the legal tender is determined which shall be such equivalent; and that in some countries a debased or worthless currency may be declared to be such tender. The consequences of such declaration must now be followed out by examining the various kinds of money which are current in civilised countries. These may generally be distinguished as bullion, coin, and notes or paper money.

The order in which these words are placed pretty nearly marks the course and succession of their use as modes of payment. First came bullion payment in ingots, or bars of gold or silver, aided for smaller amounts by brass, lead, and iron, &c. A certain weight was cut off or made up by several pieces; and scales were used in each transaction. Then came the stamped bar or piece of money of a certified weight and fineness to save these repeated weighings. This was the origin of the coin, and the name of a weight was sometimes retained after the weight itself had long ceased to be represented; of which our pound sterling is a familiar instance. Governments soon became aware of the profit to be derived from a monopoly of coinage by making the coins of less real value than their nominal worth.

Thus the pound of silver dwindled down to twenty of the shillings now current amongst us, and the sovereign in gold.

Another mode of making coinage profitable is debasement of the coin, by reducing the fineness of the sterling metal with alloys until the coins current as gold and silver become mere mixtures of metal of inferior value. Before pointing out the evil consequences of this fraud, it may be remarked that our Government has for many years past been fully alive to the importance of keeping our gold and silver current coin up to their standard weight and fineness, by the most careful regulations for that purpose.

The effects of lowering the standard of the current coin, either by reducing its weight or by debasing the metal, are in many respects the same as follow the use of a paper currency not convertible into bullion. At the time of reducing the value of the coin the Government makes a profit by the loss of every one to whom money is owing. For supposing the pure gold in eight sterling sovereigns to be coined into ten, every man to whom a debt of ten sovereigns is paid in the lowered currency, receives actually only the value in gold of eight sovereigns, whilst the remaining two are taken by the Government. Gradually, however, all prices are arranged to the new standard as the degraded currency finds its level. This effect begins with the change in price of bullion. The price per ounce of gold and silver will be just so much more in the degraded money as will give in coin the exact quantity of fine bullion, which was the standard price of the ounce before the coin contained less gold or silver. As the prices of other things will rise in proportion, more money than before will be needed to make an equal amount of sales and purchases. This general rise, however, goes on gradually and irregularly, being combined with the other influences which have before been shown to operate upon prices. Hence the trade of a country having a degraded currency is continually hampered at home and abroad by fluctuations in prices and scarcity of money for commercial purposes. Nor is this scarcity easily remedied, for as supply and demand operate on money when the true regulator of real value is removed, just as they do on all other commodities, the tendency of every increase in the amount of currency in circulation is to raise prices generally by making

the money which measures these prices more abundant. This soon leaves the scarcity pretty nearly where it was before, still more money being needed for the same amount of transactions; and out of this continual ebb and flow there is no escape, after the true value of the coin, which would soon remedy either excess or defect, has been lost. The final result cripples, often fatally, the commerce of a country where degraded or comparatively worthless money is in circulation. This arises from the difficulty of any reliance being placed upon steady prices, which exposes all trade where the expected profits are not large enough to cover this probable source of loss to the risk of irregular rises and falls of markets, wholly destroying the advantage looked for in any transaction. Moreover, as the current coin is only worth its actual value in bullion in all foreign countries, and as prices in these countries are not affected by the degraded currency at home, all foreign trade becomes cumbrous and expensive in a manner which will be more fully shown in the chapter on exchanges.

Nor are the evils of this degradation of the currency yet exhausted. Where the standard weight and fineness of the coin are very near its exact value in bullion, the coiner can only make a profit by a counterfeit in baser metal. The weight, the ring, the exact appearance are such easy means of detection, that base coin to any extent cannot be forced into circulation or kept there. But the coiner of a light or debased currency can make his piece of money exactly as good as the current coin and reap a large profit; until prices get adjusted to the degradation in the way above pointed out. In fact if his alloy is the same as that used by the Government, and he makes his dies carefully from the coin itself, his spurious money is identically the same as the Government issues, and detection becomes impossible.

It has been shown how the Government profits by the first issues of degraded money. But as prices adjust themselves to this debasement there is danger of great subsequent loss. All purchases by Government must be made at enhanced prices, and it is difficult, if not impossible, continually to increase taxation in an equal degree. Thence comes the continual

tendency of outgoings to increase and of incomings to lessen, as the injurious effects above shown go on diminishing the wealth and commerce of the country. Nor can any profit longer be made by increasing the amount of degraded money in circulation. For as we have seen the price of bullion having risen proportionally with the debasement, the gold and silver to make the money now cost exactly as much as they can be coined into. The only profit to be made is by still further debasing the currency; and in this the Government and coiners may for a time run what may be called a race, one against the other. But the same ruinous consequences as before soon follow each debasement, and speedily more than absorb the momentary relief. Nations, however, like individuals, when once in difficulties generally flounder on deeper and deeper; and thus it almost invariably happens that when the currency of a country has once been tampered with, it is again and again degraded, until, through something like a national bankruptcy, with much loss and suffering, a sounder monetary system is restored.

Great are the evils of many various descriptions of coins of different finenesses and inconvenient denominations circulating together at the same time, forming what may be called a jumble of currencies. In this case the same kind of calculation has continually to be made in payments at home as is required to compare the moneys of different countries together in foreign travel or trade. Our English currency was long in this condition; but, happily, we have now to go abroad to find by experience all the annoyances of such an irregular and multifarious circulation, and learn to appreciate the sound uniform state of our currency at home. It is also inconvenient to have a money of account not exactly represented by any current coin; thus requiring what may be called a *translation* of every payment properly to record the transaction. This was the case with our English pound sterling, until the guinea was replaced by the sovereign.

Where the currency is silver, or partly of silver and partly of gold, that is, where silver is a legal tender to an unlimited

amount there is always a charge for procuring gold money when required for remittance or in payment. The portability and convenience of gold, as compared with silver, cause a continual export of gold in large or small quantities, even when prohibited by the most stringent regulations. For the same reasons dormant money balances will be held by bankers and others in gold, leaving the silver money to circulate from hand to hand. Hence arises a continual scarcity of gold money; giving rise to a premium on procuring it called an *agio*, varying at different times and in different places, and giving constant profitable employment to bankers and money-dealers in those countries where gold has to be so procured.

Notes are pieces of paper representing certain amounts of coin. Only such notes are, in our treatise, taken to be money as form a legal tender; that is, which are declared by law to be a payment satisfying debts or claims as sufficiently as the same amount of coined money. The notes of private banks, which may be refused by any one demanding payment, are not here considered as forming part of the currency, but as being a credit circulation, used as a substitute by common consent, in most respects of the same nature as bills of exchange, sufficiently considered in the last chapter. In fact, the only differences between private bank notes and bills of exchange, with reference to what is there said, are that private notes pass from hand to hand without any endorsement, and, purporting to be payable on demand, do not require any computation of discount when used from time to time in settlement of accounts. These private bank notes will be again noticed in our following chapter.

The notes forming part of our current money in England are the Bank of England's promise to pay in gold on demand; and anyone may, at pleasure, demand gold at the bank in exchange for the note. But in many countries the note merely bears the Government stamp or impress, declaring it to be of the value for which it is current — being, in fact, paper coin. This form of note or token in leather, shells, metal, earthenware, cloth, bark, or leaves of trees, &c., has been used in

various countries from the earliest times; and an interesting account of this kind of currency, issued by the Tartar emperors of China, will be found in the travels of Marco Polo.

We have here mentioned two kinds of notes, viz. those (like ours in England) for which the national bank issuing them is obliged to give sterling coin on demand, though they are a legal tender as sufficient as bullion in all payments; and those, whether issued by Government or by a national bank, which are a legal tender in all payments, and for which gold or silver cannot anywhere be demanded in exchange as a right. This difference between these two kinds of notes will be found on examination to be of vast importance in all its consequences, forming the leading distinction in all consideration of paper currencies. At first sight it might appear that the power exercised by Government of declaring a worthless piece of paper to be equivalent to an amount of valuable coin contradicts the distinction before made between payments and settlements of account, which stated that payment could only be made by some real equivalent of the debt or demand to be satisfied. But when the true character and consequences of this arbitrary declaration are fully examined, the apparent contradiction will vanish, and this distinction between payments and settlements will be found our safest guide in explaining all the workings of a paper currency, whether convertible for bullion or not. It will be found that this Government enactment that the note shall represent a given value does not in any way make that note really a value any more than before, and that such note circulates only really representing that value under certain conditions operating uniformly, with no respect to the arbitrary enactment of Government. What these conditions are must now be carefully considered.

It was remarked in our last chapter that the proportion of currency required at any given time for the transactions of a country depends upon the extent to which it is used or dispensed with in settlements of account. Some causes which render this proportion fluctuating were also mentioned; and the effects of a sudden demand for more currency, or a general scarcity of money in rapidly lowering prices generally,

were also pointed out. In a currency based upon sterling coin, the value of that coin in bullion regulates these fluctuations, and in time restores general steadiness to prices. For the exchangeable or purchasing power* of the coin, compared with its actual value in bullion, furnishes an unerring test of the effect of this state of the currency upon prices generally, and provides the proper remedy. In England, where the Bank of England is bound to give convertible notes and sovereigns for gold bullion at the Mint price, the bullion merchants bring in gold to the bank whenever its price in open market affords them any profit in doing so; thus increasing the currency until the balance is regained, when all profit on such transactions ceases. On the other hand, if from a redundant currency the market value of gold exceeds the Mint price, bank notes are continually taken to the bank for sovereigns, to be used for export and in other commercial transactions until the balance of the currency is restored, leaving the market and Mint prices of bullion pretty closely the same. And even supposing a state of things where no such expansion or contraction of the currency was possible — even then the test of the real value of the sterling coin would apply the correction needed by a slower process.

The substitution of a credit circulation for payment would, by the unvarying law of supply and demand, be lessened or increased, as might be requisite, until the amount of currency used in money payments was so adjusted as to restore prices generally to their natural correspondence with values. For most of the operations of commerce depending upon the profits made for a time in the differences between price and value, have, as has before been shown, by their nature, a continual tendency to reduce these differences to the smallest point. And they will operate upon money in the same way as upon any other commodity wherever the money, being of sterling value, is in itself a valuable commodity. But where the currency is worthless paper, the exchangeable power assigned to

* By exchangeable or purchasing power is meant the proportionate quantity of any commodity which the coin will purchase; greatest of course when prices are lowest, and *vice versâ*.

it by Government, declaring it to be a legal tender, cannot thus be tested, for real value it has none; therefore, when, from excess or defect of circulation, this exchangeable power varies, the nominal amount of each note remaining the same as before, the only way in which reaction can be produced is by an alteration in the total quantity of paper money in circulation operating by the powerful law, before explained, of supply and demand. The apparent profit on each successive issue of inconvertible notes causes any increase in the exchangeable power of the note (which, however, seldom happens, as paper currency tends to decline, not increase, in this power) to be immediately more than absorbed by an increase of the notes in circulation. And this increase will go on to such an extent as (combined with the continual influence of a worthless currency on prices in all operations, especially those in bullion) produces a steady continual decline in the purchasing power of an inconvertible paper currency, with a corresponding increasing premium on gold and silver. This renders a mixed circulation of coin with such paper money impossible, unless where the coin is debased as much as the purchasing power of the note is lowered: for whenever a piece of money exceeds in its value as bullion its purchasing power as a coin, no severity of laws will keep it from being melted or exported. And as the exchangeable power of coin circulating with notes will be lowered along with that of the paper money of the same nominal amount, the coin will vanish from circulation, unless a small quantity be retained for special purposes by the premium which, as above noticed, will in such cases be given for gold and silver. Hence the continual tendency of an inconvertible paper currency to become more and more worthless as a circulating medium, until national bankruptcy is reached by the same process as has been marked in the case of continually-debased coin. This is so fully illustrated by the financial position of more than one European government at the present time, that it would not have seemed to require illustration in detail, had not so much error been made, as noticed in the last chapter, by many writers and some legislators at home, who fancy an immense saving might

be effected by the entire substitution of paper for gold in our currency. The fallacy of this idea is, we trust, now made clear. No feat of legislature can confer value on what has no value; nor can any enactment be devised effectually to replace this simple test of value in keeping the exchangeable power of money level by regulating the supply of currency exactly in proportion with the demand. The real saving to be made is, as we have before pointed out, by reducing the necessary amount of currency required in the transactions of the country, and substituting settlements of account for payment, as far as can be done with convenience and permanent safety. But declaring a worthless currency to be payment, in fact, attempts to do away with payment altogether, and is sure to be followed, sooner or later, by ruinous consequences — even worse in effect than would follow the attempt to establish a circulation wholly composed of private merchants' bills of exchange. Worse in the end, because in the case of notes, public, not private, credit is the supposed basis of security; and therefore, when the crisis comes, there is no safe ground left for retreat, and all must fall together.

Some of the other consequences, before noticed as attending debasement of coin, follow an inconvertible note currency, especially when it declines in exchangeable power. All persons to whom payments are due, and all who depend for support upon a fixed money income, suffer loss with each successive fall. And as the paper of which the note is made is comparatively worthless, and the cost of engraving once paid for lasts for a large issue, the temptation to forgery is even greater than that to coining debased money. Therefore great numbers of forged notes continually get into circulation. To sum up: an inconvertible paper currency, instead of being really the payment which Government declares it to be, is a mere symbol of the transfers of commodities or debts, and the exchangeable power of each note from time to time depends upon the way in which these transfers balance one another as registered in this worthless currency. Hence, countries using this kind of paper-money have but a small portion of the advantages of the use of money in their dealings, and may almost be said to trade

by barter, like savage nations, though perhaps in a somewhat more convenient form.

Widely different is the note convertible, like our Bank of England note, by a given process into a fixed weight of bullion of standard fineness. In this case it will always keep its exchangeable power exactly at the same level with the sterling coin which it represents; and the amount of notes in circulation cannot long be in excess or defect of the amount of currency required at any time by the wants of the country — the surplus being soon returned to the bank in exchange for gold, and *vice versâ*. No profit, therefore, can long be made on melting or exporting coin, and the notes being always at a par (that is of even value) with the coin, both circulate together without the gold or silver being driven out of circulation by fluctuations in prices — such as, in the case of inconvertible notes, we have shown to operate upon the value of bullion as a commodity. And in such a sound currency the effects of abundance or scarcity of money upon prices, will therefore be comparatively temporary and produced by various causes, hereafter to be noticed in their influence upon home and foreign trade.

Theorists have speculated upon giving similar stability to a note circulation, by basing it upon actual property — the Funds for instance. But it will be found, by carefully tracing the course of such a circulation, that, if convertible on demand, it would, in the event of sudden calls for a basis of real value in payments, produce the most extreme depreciation in that property, whatever it might be, which was chosen as the foundation of value. This depreciation might often go so far as to render the note for a time comparatively worthless, and of little or no exchangeable power; thus causing something like a national bankruptcy; for the uniform stability in price of the precious metals depends mainly upon their being universally received by all people and in all countries. Therefore they are a sound basis of circulation; for any fluctuation in their exchangeable power is soon corrected by export or import, as the case may be, and is, consequently, of but trifling extent. But all other commodities or property, however useful or really valuable, are not equally certain to be received in

this manner at all times and in all places; and are, therefore, all more or less liable to fluctuations in their exchangeable power, and, for this reason, unfit to be relied upon as a basis of currency.

If, on the other hand, the note currency based upon property were not convertible on demand, no substitution of the fixed property which it might represent for the credit of Government, upon which paper is generally issued, would give it the desired stability. For, as we have above shown, the tendency of such a currency to ruinous fluctuations depends upon its inconvertibility, and is remedied by enabling payment to be procured for the note on demand. Therefore it is obviously of little moment whether or not payment of the note could in any event be actually made in value so long as such payment cannot be demanded or obtained.

CHAPTER III.

ON BANKS AND BANKING

THE earliest appearance of bankers is as money-changers, generally exercising the business of goldsmiths and jewellers, and often as money-lenders in the way now practised by pawnbrokers amongst us. To these callings the Jews have from ancient times applied themselves, and so completely absorbed the whole business in the East, and later in Europe, that their name became a synonyme for the money-lender or usurer as he was then termed. In fact, in the middle ages the Jews may be said to have possessed almost the entire command of the available floating capital of the countries where they were settled; and despite of the immense increase in capital and of the many changes which have since occurred, they yet retain (especially in one notorious instance) a great portion of this command, and are, at the present day, leading tradesmen in many of the branches of business above enumerated. We get

the name bank* from the Italians, from whom we have so largely derived the practice and many of the terms of commerce, and amongst whom the Lombards came to be as famous in banking in our country as the Jews have long been half the world over. Of this a lasting trace remains in the name of the street, now one of the chief head-quarters of our London bankers.

On condition of certain advances to Government the Bank of England long enjoyed the sole privilege of carrying on banking in England by a company of proprietors; no other bank being allowed to have more than six partners. At the same time Scotland, where no such restriction was in force, carried on banking business by companies, on what is known as the joint-stock system; affording much more extension of credit, and wider help to traders generally, than was given by the more rigid practice of private bankers in England. Hence arose continual efforts to secure the same apparent advantages for English commerce as those possessed by Scotland, which, by degrees, were entirely successful. First, an Act was obtained permitting joint-stock banks on the Scotch system all over the country, the only portion retained of the monopoly of the Bank of England being the prohibition of banks with more than six partners in London and its vicinity. More recently this restriction has been removed, and the joint-stock system is now extended to the metropolis. In addition to the advantages of larger capital and a more liberal system of business, it was assumed upon its introduction that this system would afford perfect security. The frequent failures of private banks often produced wide-spread ruin, especially when they were banks issuing notes, and in country districts where they had carried on all the money dealings and supplied almost the whole circulation of the neighbourhood. It was argued that the large capital and responsibility of a numerous and wealthy body of shareholders possessed by the joint-stock bank, must preclude all chance of failure, and that this conviction would

* The '*banca*' or bench which the Italian money-dealers used as a counter being broken when the dealer failed, also gave the root of our term bankrupt—'*banca rotta*.'

prevent those panics which caused most of the ruin and mischief in times of commercial distress. In proof of this the Scotch banks were pointed out as being then in a state of sound prosperity, as much above suspicion as our own Bank of England. Unhappily these sanguine expectations have been only partially realised. We have seen too mournfully that joint-stock banks as well as private banks can come to disastrous failures, producing in a wider range the same misfortunes as are caused on a narrower scale by the failures of the private banker. Even those very Scotch banks so triumphantly cited as proving the absolute security of the system have, in many cases, come to the most disgraceful ruin. The conclusion, established by dear-bought experience, confirms the principles which all sound reasoners maintained from the outset. All security in banking, as in all other trades and callings, depends upon a sound and safe mode of doing business. No extent of capital — no array of wealthy shareholders — no enjoyment of undisputed credit, can prevent failure from sooner or later following careless, foolish, or profligate management. These very advantages, improperly used, will only serve to delay the catastrophe and extend the area of the final ruin. Therefore, seeing that good banking may be said to be the very heart of commerce, sending the vital current through all the trading body, it may be worth while briefly and generally to notice some of the leading points which enable safety to be combined with a liberal system of banking; thus securing the advantages expected from the introduction of the joint-stock system.

A word may well be given at the outset to the position of directors and managers. In previous chapters the disadvantages have been noticed under which companies, with their boards, minutes, and officers, compete with acute, able, private traders, managing their own affairs, with the strong stimulus of self-interest, and full power of immediate decision and action on every emergency. Without the utmost care in application, these evils of the joint-stock system have most disastrous effects in banking. If the directors properly trust their manager, and invest him with entire responsibility, acting

themselves as a consulting council, with general periodical supervision of the affairs of the bank, a well-chosen board gives an able manager many advantages not enjoyed by a private banker. He has the benefit of their sound advice in all difficult cases, and of their extended knowledge both of the men of business dealing with the bank, and generally of the course of commerce and the money market from time to time. This information is, in many cases, of almost inestimable value; and such a board, working well with a trustworthy manager of zeal and the requisite knowledge and capacity, will realise all the advantages expected from the joint-stock system of banking. But when the directors fancy they can themselves safely play at management, with nothing more than a staff of mere clerks, by whatever names they may be called, widely different results will certainly follow. As well might a committee take the reins from a coachman driving a team of unruly horses, or the management of a vessel from the captain in a gale of wind, or the command of his army from a general in face of the enemy. In business generally,—in banking most especially,—responsibility and decision at the moment and on the spot are often indispensable, and cannot be replaced by tardy references to boards or committees. Equally great are the evils of a routine of directors, each in turn taking the guidance for a time. It will generally be found that even the least competent amongst them would have done better, left to continue in charge, than a continual change. Little good can be hoped for in bank management save from daily experience, maturing and directing a good uniform system. On the other hand, it is almost needless to remark, that no board, however able and vigilant, can carry on a bank prosperously with a manager deficient in moral requisites or in knowledge of his business, sound judgment, and energy. Whether they trust every thing to his care or not, they will equally fail in preventing the mischief such a man will cause; for no degree of watchfulness can control his action in every instance, and the only safe course is to dismiss him altogether.

On the old system of business of private banks, especially London, the accounts of the customers were managed with-

out any charge for commission—the banker being content with the profit he could make by employing the balances left by customers in his hands, on which he allowed no interest. It was then a matter of pride with men of high commercial standing to keep large balances with their bankers, which enabled him to do in this way a very lucrative business. But, as commerce extended, the loss on keeping large balances unemployed led the customers to an almost universal change from this system. Whilst it lasted, the banker required little skill or judgment, and absolutely ran no risk whatever, except in case of his own gross error or misconduct. All he needed was the confidence and connection which procured and retained profitable accounts. As long as he was content with the low rates of interest afforded by absolutely secure investments, and refrained from speculating with the balances intrusted to him, no danger could arise. But when, allured by hopes of profit, he ventured deeply into operations requiring great outlay and of uncertain result, he frequently met with losses absorbing his whole capital, or which so locked it up that it could not be recovered save at immense sacrifices, and then his customers' balances were too often improperly used and endangered. And the temptation to this perilous course was obviously increased when, instead of requiring a balance to be kept in his hands, on which he allowed no interest, the banker began to allow interest on his customers' balances and deposits, and to charge bank commission on his payments in their accounts: for now a large proportion of his profit must depend upon employing the balances and deposits in his hands so as to make them earn him a higher rate of interest than he allowed on them to his customers. He must, therefore, either incur the above-mentioned risks by investments in undertakings not connected with his banking business, or himself employ the funds in his hands in loans and discounts, in the manner introduced on an extensive scale by the joint-stock banking companies of Scotland. In many cases these loans and discounts are secured by personal guarantees, or by property of some kind or other deposited as a pledge. The dangers to which this mode of doing business exposes the

banker are manifold, and such as to require all his skill and caution to avoid losses. There is too often a continual tendency in the amount of the loan or of the bills discounted to increase; and hence the question perpetually recurs—How far shall this go? The determination of this point, and firmness in adhering to it, are perhaps the most conclusive tests of the banker's ability. On one hand, occasional judicious liberality often saves the banker from loss; and, on the other, the temptation to carry this motive too far leads him on by degrees, until the amount increases at every step, and recovery becomes all but impossible.

By a well arranged plan of mutual exchange of cheques and bills of exchange, the London bankers save much floating capital in their extensive daily money transactions. Nearly all English bills being made payable in London, the metropolis becomes the centre of commercial receipts and payments. At their Clearing House, as it is called, the London bankers keep a daily account of the amount due to and from each other, and thus, instead of large payments backwards and forwards, the account of each bank in the clearing ledger is balanced by one payment or receipt, as the case may be, at the close of the day. The same system, on a far wider scale, has been introduced in the accounts of railways, exchanging traffic and money all the country over to an extent which, without such a continual clearance by balances, would have involved a mass of intricate account keeping wholly beyond any conceivable means of extrication from endless error and confusion.

In many parts of the country private banks had long issued their own bank notes before the introduction of the joint-stock system. These notes are generally payable in gold or Bank of England paper on demand at the bank where issued, and with their London agents. Though they are, in our view, excluded from the currency as not being a legal tender, yet in many districts these local notes for a long time almost wholly displaced gold and Bank of England paper, thus forming nearly the entire circulation of whole districts. But at the time when the Bank of England surrendered her monopoly, the power of issuing them was restricted by Act of Parliament to the

amounts then in circulation; with certain regulations as to reserves in hand requiring gold to be kept in certain proportions to the issues from time to time. From that date the local circulation of these notes has been much reduced; and since the branches of the Bank of England have been opened in various parts of the country there are few, if any, places remaining of any importance where the chief circulation is not in the legal tender. By a system of mutual exchanges at fixed times and places, on the plan of the London clearing house above noticed, the country bankers avoid the necessity of large continual payments to take up their notes, thus economising and regulating their circulation. This issue of notes, creating a capital founded on credit, often becomes a dangerous temptation to unwise advances and discounts, from the desire of banks of issue to employ and make profitable the funds thus procured. And as the circulation of private bank notes, like that of bills of exchange before noticed, depends wholly on the consent of the public to receive them, it happens that when money becomes suddenly scarce from any of the causes before or hereafter to be noticed, large masses of these notes are often suddenly returned upon the banks of issue for payment in gold or Bank of England paper. Thus, at the very time when there is an increased demand in all quarters on the resources of the bank, this note circulation, instead of being any source of strength, frequently becomes the chief element of danger, requiring almost an equal amount of sterling currency to be ready in the coffers of the bank to take up their notes on demand.

Accurate and early information of the state of the money market should constantly be obtained by every banker managing his business upon sound principles. This is now so universally recognised, that weekly returns are published by the Bank of England, showing the state of their accounts, the notes in circulation, and the bullion on hand; and periodical statements of their issues of notes and reserves of coin are also published by the private banks of issue. All these accounts, as well as the course of our foreign exchanges, should be carefully examined by the banker as his best guides to a comparative

estimate of the money transactions of the country from time to time. Our next chapter will show why the course of these foreign exchanges is of interest in examining the state and prospects of the money market, as foretelling the export or import of bullion, which has a corresponding effect on the scarcity or abundance of the currency at home. The banker should also not fail to remark any indications of undue extension of speculation or unsoundness in any particular branch of business, or in business generally. These indications, which frequently recur with almost periodical regularity, are as certain warnings of the storm to come as is the sudden fall of his barometer to the sagacious mariner, and show that the time draws near to prove the nerve and ability of the chief in command. Like the prudent seaman he will have his sails furled and his ship as well in hand as possible, long before she is struck by the gale. The management at such times of his weak and doubtful accounts (of which the best banks too often have many) is perhaps the best test of his skill and judgement. Where a timid or rash hand, by suddenly curtailing facilities, would cause much ruin and misery, with great loss and, perchance, danger to the bank itself, he will unite firmness with consideration, and often, whilst caring well for his own security and advantage, can make his bank that help and support to his deserving clients which a bank ought to be in such times. He will have carefully studied the character of each customer, and his manner of carrying on his business; and on this knowledge he will often rely more fearlessly and securely than on the extent of his customer's transactions or his reputed high standing, which too often mislead the superficial observer by a large show, in many cases with no secure foundation. At such periods the confidence our able banker has secured from his customers stands him in good stead. They will often naturally consult him when the money market grows tighter and hard times come, thus giving him that knowledge of their affairs which is invaluable for his guidance, whilst reaping the benefit of his sound advice. He will soon find on whom he can fully rely for hearing the whole truth, and where he has this confidence will never let any man fall who thus trusts

him, as long as his support can be judiciously and safely continued. His previous foresight and warnings to those of his customers who rely upon his counsel, having placed his finances in a safe position, he is not compelled, as a less competent banker would be, to act from fear, necessity, or the pressure of the moment; but carefully watching the course of the money market, and keeping well beforehand in all his measures, he secures his own safety and that of all who depend upon him. The good which such a man may do in trying times is not easily measured—the wide-spreading loss and misery then caused by a vicious system of banking have been unhappily shown in too many notorious instances.

To the ill-managed bank these periods of trial bring almost certain disaster and ruin. The capital is too often locked up in improvident advances, wholly beyond any power of recall, whatever may be the necessity; and the immediate resources too frequently disclose a portfolio filled with worthless bills, renewed again and again in the vain hope of escaping ultimate loss. Thus the strength of the bank's coffers having been wasted or absorbed, the deficiency must too often be supplied by pressure on the customers, regulated by the absolute necessity of relief rather than by any sound principle. Pressure on the worst class produces nothing, hence the customer with some substance is too often called upon, at frightful loss and sacrifice, to support the bank, just when the bank ought to have supported him. The weakness shown by this unjust and capricious management excites distrust — deposits are withdrawn, the credit of the bank is gradually lost, and its position grows daily worse until it finally falls, bringing down with it all its weak and unsound connections.

Comparing the career of the good with that of the bad management above described, a few leading differences will generally be found. Both in cash advances and the discount of bills of exchange, the able banker will, in all cases of doubt or danger, have drawn a line upon careful deliberation, which nothing will induce him to pass. He may not at once have ruined his client and secured a loss by insisting upon immediate repayment or closing all transactions; but the account

has not, upon any pretence, been allowed to grow worse. Time may have been given; but only upon condition of such gradual reduction of the advance, or of the sum under discount, as could be afforded in each instance. The more irresolute banker, on the contrary, unable to make up his mind to contemplate a loss, goes on, often fancying he gets more security but really increasing the sum at risk, until the amount has become too serious for any chance of recall, and he continues his advances in sheer desperation. Again, the prudent banker never, on any pretence, whatever the security offered, will allow a business to be wholly carried on with capital borrowed from his bank; though he may, in some cases, grant temporary or more permanent aid to parties of sufficient means who are doing a good business on sound principles. Nor will he, in any case, himself undertake or carry on any business in the hope of escaping a loss or of bettering his position. He knows well the utter folly of stepping out of his own affairs (which he understands thoroughly) to manage, either by himself or through the agency of others, any other business concern with which he is unacquainted; and will, therefore, rather accept his first loss, than make it worse in the vain hope of retrieving it. Neglect of these important guiding rules has caused some of the worst and most extensive bank failures.

The differences between sound and unsound bank management have been dwelt upon in more detail, because when much misery is caused by many banks failing in a commercial crisis, there is a continually recurring tendency to fancy that some change in the constitution of banks generally will ensure future safety; as has been mentioned in the extension of the joint-stock system to England. This is a dangerous fallacy: fixing attention on points comparatively of little moment in occasioning these failures, whilst neglecting their real causes. It has in this way been recently argued that extending the principle of limited liability to banks, would be the real remedy, by attracting sufficient capital to give complete security: but no amount of capital can give this security. On the contrary, the necessity of employing large capitals, as we have above remarked, often leads to mischief. All banks,

whether private or banking companies, may ruin themselves by bad management; and nothing in their rules and regulations will save them unless good rules are judiciously and properly observed. Seeing the large amounts of cash deposits with which banks in good credit are trusted, and how impossible it often is from any outward sign or even by examining such accounts as may be published, to detect weakness and decay in a bank in time to escape sharing the final ruin, the wisdom of depriving creditors of the security of the unlimited liability of the shareholders may, as we have before remarked, be questioned.

Since the managers of the Bank of England have resumed the payment of notes in gold, after the suspension of cash payments during the wars at the commencement of this century, their system of management in supplying the currency of the country has, upon the whole, been sound and judicious. Difference of opinion will naturally often arise, as to the prudence of the changes made from time to time in their rates of discount; but this is merely a minor point; and many would be found to object, whatever course the bank might pursue. Complaints have also, it is true, been frequently made of a supposed want of proper aid to commerce in times of difficulty, which will be more fully discussed in a following chapter, when it will appear that the complainants generally either expect impossibilities, or have a very confused idea of the position and duties of a national bank of issue.

One kind of banks yet remains to be noticed. Saving banks have long been established to extend the benefits of the banking system to depositors of small sums, thus encouraging thrift and prudence amongst the industrious classes. So important has this object justly appeared to our legislature that savings banks, like benefit societies, have been the object of special care with our lawmakers, with the view of allowing as high a rate of interest as possible, and affording complete security by investment in the Funds. But this security requires banks on this system to be honestly managed; against frauds in the officials there is no protection, and such frauds unhappily are, in some cases, long undetected and of ruinous extent. In

the benevolent desire of furthering a good object, persons of rank and influence often lend their names as trustees and managers. But as these parties are in no way responsible for any losses caused by frauds of the cashiers and clerks, through whose hands the money really passes, their names, unhappily, may almost be said to have deceived the depositors with a show of fancied safety, which these banks did not really possess.

Some large failures of these saving banks have caused much loss to the poor depositors they were designed to aid and protect. This is very deplorable; and the recent Act of Parliament, basing saving banks on the post-office system, may therefore be hailed as one of the greatest boons the working classes have received in our times. Ample in its scope, judicious in all its arrangements, this great measure, whilst so devised as to render the fraud of subordinates next to impossible, gives the depositors ample and complete security against these frauds, by making the Government responsible for them; thus affording the depositor who carefully complies with the plain and simple regulations of these banks certain safety from any loss whatever. This, and the extension of the system to all post-offices where a money-order office exists (thus bringing the banks almost to every man's door), are inducements to profit by the benefits of the saving system, which will gradually produce the most beneficial results. Let us, in conclusion, warn this class of depositors, with whose real welfare we feel the strongest sympathy, to be content with the interest these post-office saving banks give, and, on no account, be induced to place their money elsewhere by any temptation of higher rates of interest. Let them be wiser than the ranks above them, who, in their eager greed to make the most of their money, again and again lose it altogether. No place of deposit except the post-office saving banks is absolutely safe.

CHAPTER IV.

EXCHANGES AND BALANCE OF TRADE

EXCHANGE, in the general use of the word, means, as is well known, a giving or substitution of one thing for another; but when applied to money dealings in commerce, it is limited to expressing the amount of the currency of one country to be given or exchanged for a fixed sum in the currency of another country, in what may be called the barter of money. Hence the foundation of the real exchange between any two countries is the equivalent in the money of one country of a given sum of the money of the other country. To determine, for example, the real exchange between France and England, we must find how many francs and centimes are equivalent (of equal value) to the English pound sterling. This ascertained value is called the par of exchange, and is found, first, by computing the weight and fineness of the franc and of the sovereign respectively, to give the exact standard value in silver for the French franc, and in gold for the English sovereign or pound; and next, by calculating from the relative values of silver and gold of the given fineness of each, how many francs and parts of francs are the exact equivalent of the pound.* Attention to this process, showing the manner in which the par of exchange between any two countries is computed, will enable our readers clearly to understand what this par really is, which is essential in examining the course of exchange (that is, the rates of exchange current from time

* In the example here taken from France, we ask how many francs and hundredths are to be given for a pound; and, supposing we find by the process above-described, the number to be 25, we say the par of exchange with France is 25. But the course of exchange, or the exchange varying from day to day, may be 25 francs 25 centimes, or 25·25 for the pound, or 25·30, and so on.

to time), generally called the exchange between different countries.*

The par of exchange (as its name imports), showing how much of the money of one country equals a given sum of the money of another country, will always remain the same in coin so long as no change is made in the weight and fineness of either of the moneys compared, and so long as the relative values of gold and silver remain the same when silver is compared with gold, as in our example. The course of exchange, or the exchange between any two countries (that is, the amount of the money of one country paid from day to day for a given sum of the money of the other country), is liable to continual fluctuations which, in many respects, demand careful consideration. In our example of computing the par of exchange, we have taken a case where the money on each side is coin bearing a fixed value in bullion. But in countries having a paper currency, or where the exchange is between coins on one side and notes on the other, the par of exchange must be fixed by a process differing slightly in form from our example, though the same in principle. What has now to be found is, how much bullion, of the standard fineness of the gold or silver coin to be compared with the note, that note will purchase in its own country. Then this weight of bullion compared with the weight of the coin to be exchanged for the note, will find the par of exchange. As the note is only current in its own country, it is clear that the bullion must be bought there for comparison; and, as we have shown, in treating of a paper currency, the price of the precious metals in inconvertible paper continually fluctuates; therefore, in

* Those conversant with the subject will see that we omit all mention of what is, strictly speaking, the real or intrinsic par of exchange; viz. the exact quantity of bullion of the same fineness in the different coins compared. This kind of par obviously can only exist when gold is compared with gold, or silver with silver; for, all question of value being excluded, there can be no intrinsic par between gold and silver. Therefore, what is frequently termed the nominal par, establishing the equivalents of different currencies in the manner above-described, is the only useful standard for exchange calculations; and we have purposely neglected a distinction needlessly encumbering the matter.

this case, the par of exchange will perpetually vary with these fluctuations in price just as if the coin on either side were degraded or raised in value from time to time, in the example given of coin exchanged against coin. In both cases the amount of bullion of the required standard, represented by one of the moneys to be exchanged, is altered, though that money remains nominally the same. Therefore, in exchanges between paper money on both sides, or between paper money and coin, or between continually debased coins, the par of exchange is next to useless as a standard of comparison. Hence, as was remarked in a former chapter, nations having a currency in such an unsound state suffer in all their foreign trade to an amount it is not easy to compute. All foreign exchanges with countries having currencies of real value are against them to an immense extent. And as it has been shown to be the tendency of a worthless currency to drive bullion out of circulation altogether, these adverse foreign exchanges can only be balanced by exporting commodities, even when at a loss; and thus commerce is crippled and rendered unprofitable in a ruinous degree.

Some causes of the variations in the course of exchanges between countries having commercial intercourse must now be considered. Exchange was called at the outset of this chapter the barter of money. The meaning of this will be fully clear on reflecting that each of the moneys to be exchanged, being current only in its own country, loses by this operation what was stated in a previous chapter as the peculiar attribute of currency, viz. the quality of being a legal tender, and can only represent bullion, being merely a commodity in respect of the money against which it is exchanged. Everybody in England wants sovereigns, or other English money, for his transactions of receipt and payment, but he only requires francs in case he has something to purchase in France, or some payment to make there. If he receives francs and has no such use for them, he must find some one who wants them, and will give him English money for them, or sell them as bullion. This shows us one reason why the exchange, i.e. the course of exchange between two countries, continually varies

from day to day, though the par of exchange remains the same. Continuing our former example, as every transaction requires a debtor in England to some one in France, and a creditor in England having claims on France, the bringing of these parties together is a separate business, and a commission has to be paid for the agent doing this, generally in the form of a trifling addition to the current rate of exchange. Again, it will not always happen that the amounts owing on both sides are exactly equal; English merchants sometimes owing more to those in France than they do to the English, and *vice versâ*. In these cases, the agent in England or France finds the money, usually by discounting a bill of exchange drawn for the debt; thus preventing the merchant on either side from waiting for the slow process of the dealings between the countries balancing one another. The rate at which these bills of exchange are computed in discount is the daily exchange between the countries, varying as more has to be remitted one way or the other. The English agent is said to buy exchange when he gives English money for the bill on France, and to sell exchange when he gives a bill of exchange on France for English money to a party wanting to make a payment there. The process by which through this agency the dealings between countries are continually balanced, deserves some detailed examination; when what was once a great puzzle in political economy, viz. the balance of trade, will claim a few words. As has before been remarked, much nonsense has been written about this; but the matter is now better understood, and, stripped of the confusion thrown around it by fallacies, will be found of very easy comprehension.

Many of the payments due from one country to another are made in produce and merchandise; balancing transactions without need of any remittance in bills of exchange or bullion. This may be done by opening credits, as it is called, on either side. For example: one merchant in London ships hardware to France; another in Paris sends wine to England, and directs payment to be made for this wine not by a remittance to France, but directly to his agent in London; who, by the order of the merchant who has received the hardware, pays the

English merchant who sent it the amount received for the wine; thus settling both transactions by one payment in London. This system of opening credits dispenses with sending remittances to and fro, much as the clearing-house does with many payments between bankers. Merchants on both sides have their agents, who receive and pay for them as directed in the country they trade with, keeping account and remitting or receiving the balance, as the case may be. Where the exports and imports between two countries are nearly equal, the exchange between them is pretty nearly at par, with some trifling percentage to pay the exchange agent; for there is no expense in procuring bullion or bills of exchange, as they are not wanted, unless to remit some balance due one way or another. But this equality seldom lasts long. In the course of trade there is almost always a balance to be remitted from time to time between two countries trading together — sometimes changing from side to side, sometimes fluctuating in amount, though nearly always due from the same side, and, where the trade is regular and uniform, of pretty nearly a similar amount in given periods of time. This balance is called the Balance of Trade between the two countries in question. If these two countries only traded directly with each other, it is clear that this balance could only be paid by the country in debt sending gold or silver in payment. But as in commerce many countries trade together, payment is very frequently made indirectly through one or other of those countries in a manner presently to be explained. In mentioning the balance of trade, the fallacies it gave rise to (now almost wholly exploded) may be briefly noticed. The balance of trade between two countries was said to be in favour of the country exporting more than she received in return; it being supposed that this balance was paid for in gold or silver, the accumulation of which was supposed to be the only wealth derived from trade. It was, therefore, assumed that all nations were impoverished by trade when the balance was against them, that is, when they imported to a greater value than their exports in trading with any country, as they would apparently lose gold or silver in paying for the difference. On the other

hand, when they exported commodities to a greater value than those they received in return, their trade was supposed to be profitable, because they had to receive gold or silver for the balance due to them. The fallacy of these assumptions is transparent. When trade is profitable, each venture sent out must bring back more in return — this excess of value of imports over exports being the profit on each transaction. When the merchant, having made a profit by sending goods abroad and selling them there, finds he can increase this profit by importing merchandise in return, he will do so. Even if he finds he cannot bring his funds home in merchandise except by a sacrifice of part of his profit, it is clearly his interest to do so rather than to bring home gold or silver to pay for the balance, as long as any merchandise he can import will sell for more at home than the amount of gold or silver he would receive if he brought home his balance in bullion. It may happen he cannot bring anything to answer better than gold or silver, and even then (when, according to the old theory, his trade should be most profitable) he may find the cost of his bullion remittance swallow up all his profit on the export trade, and leave him a loser. It frequently occurs in commerce that operations showing a good profit on the sale of goods abroad cannot be made to answer, because all this profit is lost in bringing the funds home. What is the profit of each merchant in this case is clearly the profit of his country; for the trade of the nation is made up of individual transactions, and can only be profitable as a whole, when the amount of individual profits on these transactions exceeds the total of individual losses. This clearly could not happen were it possible that the balance of trade, as it was called by old writers, could be what they termed in favour of a country with every nation they traded with; except in the impossible case that such country had at home abundance of all desirable products and commodities except bullion, and wanted nothing from foreign lands but the precious metals. Otherwise, unless the superabundant gold or silver were sent abroad to purchase whatever the nation required, the only advantage of her foreign trade would be to raise prices at home, by making the precious

metals far more abundant than the demand for them. And if bullion has to be exported to pay for what a nation wants abroad, all the cost of sending it to and fro is so much loss in all cases where the balance of her exports could more profitably have been remitted directly in the merchandise required, without the intervention of any bullion remittance at all. The fallacy lies in the assumption that the wealth of a country consists solely in the quantity of the precious metals it may possess at any given time. A little consideration will show, that even supposing this were true, that gold and silver *were* the only wealth of a country, it may happen that of two countries compared together one may have at a given time a less store of gold and silver than the other country, but immensely more produce, or manufactures of great value for sale in foreign lands, which when sold may procure far more gold and silver than the other country possesses. Therefore, the true wealth of a country consists in her stores and power of procuring commodities of utility and value of every kind. In estimating this wealth, the precious metals are only to be considered as one of these commodities; and a country rich in what has been shown to be the true meaning of the term will have at all times just as much gold and silver as suffices for her wants. A striking illustration of these truths is afforded by the regions where abundance of gold has recently been discovered. Both in California and in Australia the same law has prevailed. The miner who had dug up a store of gold is forced to part with a large portion of it to secure the bare necessaries of life, which soon became scarce in a country crowded suddenly with inhabitants without adequate supplies of needful requisites. Those who bring the gold-diggers food, clothing, &c. often get more rapidly rich, from the high prices received for their produce and merchandise, than the miners themselves do. Similar causes produce like effects in national as in individual instances. England and Holland, as examples, were far more greatly enriched by the discovery of the silver mines in Spanish America than was Spain herself, in spite of all her jealous care to keep the precious treasure to herself. She soon became merely the channel by which the silver stream flowed to other

lands, whose commerce and industry drew it by forces against which no prohibitory barriers could contend.

Returning to the regulation of the exchanges between different countries: the separate business of the agent who effects this for the traders on both sides, has already been noticed. He performs between one land and another much the same functions as those discharged by the banker between traders at home. His business is so to control the fluctuations arising from time to time from varying balances of commercial dealings or other causes, so as to make remittances on the best terms for the merchant, and secure himself a remunerative profit in the transaction. For this purpose he acquires the most accurate knowledge possible of the transactions and money dealings between different countries, and the current rates of exchanges from day to day. Recurring to our former example of France and England, where the debts on both sides nearly balance one another, the system of open credits in London and Paris, with remitting here and there a bill of exchange, to France or England, as the case may be, easily, as we have shown, settles the exchange transactions between the countries. When there is a considerable balance to pay on either side, the exchange agent decides whether it will answer better to remit the amount in gold or silver, or through a third country, in the following manner:—Suppose England, for example, has to remit a certain sum to France, and Holland to remit a given amount to England, both debts may be discharged wholly or in part, as the amounts may be, by Holland making payment to France instead of to England. To determine whether it is better thus to remit indirectly or send gold or silver in payment, the agent must carefully compare the current prices of gold and silver in England, France, and Holland as well as the rates of exchanges between all three countries. This calculation, called the arbitration of exchanges, at once shows him how to operate to the best advantage. These rates of exchange are found, as we have remarked, to vary from day to day, according to the relative amounts to be remitted from one country to another. If, for example, England sends large remittances to France, bills of exchange on France are sought

for to make these payments, and the exchange on France falls in proportion to the demand, that is, fewer francs and hundred parts of francs are given for the pound sterling in purchasing these bills, as they rise in the market. When this fall of exchange reaches a certain point, it will pay better to send gold or silver than to purchase bills of exchange; or, taking our former example, to make payment through Holland. As the demand for bills of exchange on France ceased, these bills would fall* in the market, and as remittances were made through Holland bills upon Holland would rise in England and fall in France in the same proportion, until this mode of remittance would answer no longer. These continual ebbs and flows of exchanges between different countries are, from time to time, regulated by the dealers in exchange, and controlled in extent by the par of exchange, which, as we have shown, fixes the exact bullion value of the currency on either side.

From the necessity of sending abroad or importing gold or silver when it is the most profitable mode of remittance either way between different countries, the foreign exchanges come to be an important element to be considered by our bankers and money dealers, because influencing the money market and showing them when bullion will be exported or imported, thus rendering the precious metals, for the time, more or less abundant at home. It will, therefore, be worth while to examine some of the most important causes of a large demand for bullion for export in addition to the ordinary requirements of commerce in settlement of balances of trade. The direct and indirect operations of agents upon exchanges just noticed, are not merely confined to making in the best manner any remittances which may be required, but extend to exporting or importing bullion to and fro, simply as a commodity, wherever the different current rates in different countries show any profit on the transaction. These exports and imports, wholly depending upon fluctuations in exchange, have a tendency to destroy the small differences on which their profit depends.

* That is, exchange would rise, the English pound buying more francs and centimes than before.

Therefore, those well conversant with foreign trade, by watching the course of exchanges, can foresee and pretty nearly compute the amount of any demand of gold or silver for export from this cause. The extent and duration of the export of bullion from the causes about to be noticed, are more difficult to be ascertained, inasmuch as the disturbing influences are more irregular and of far more extensive operation. The abundance or scarcity of the crops of articles of large consumption generally disturbs the balance of trade, producing a corresponding effect upon the exchanges. This effect, in one instance, causes such a great and sudden demand for bullion for export, as to require special mention. For many reasons, any deficiency in the corn harvest is sure to be followed by large exports of gold or silver. In the case of other produce of general consumption, scarcity, and the consequent rise in price almost always greatly lessen the use of any article. The point is soon reached when some cheaper substitute is found for the commodity, or it is as far as possible dispensed with altogether. Therefore no great or sudden demand for increased supplies at higher prices causes an immediate export of the precious metals to pay for them. The higher price is paid for a far less quantity, and time is allowed for increased imports to be balanced gradually by the general operations upon exchanges, before noticed. But in the case of a deficiency in the home produce of corn, the staple food which sustains life must be immediately procured from abroad, at whatever cost, and the consumption is not decreased, or any substitute to any extent employed, so as to lessen the rise in price from scarcity or the sudden demand for large supplies. And as these imports must be brought from many quarters at the same time, we invariably find a deficient harvest followed by a large drain upon the bullion of the country where it occurs, and by a corresponding effect upon the exchanges. This effect is increased by the necessity of the required import being immediate and regular, until the wants of the country are satisfied; for the want of food is a daily necessity, which cannot be postponed or adjourned to more convenient times. Therefore the effect upon the money market of this cause of an export demand for bullion is almost

without exception important and of considerable duration. The demand of bullion for war purposes is another great and irregular agent of disturbance in exchanges. From its portability and value in small bulk, gold alone is generally demanded. And this demand, like that from deficient harvests, is mostly sudden, extensive, and peremptory in its requirements. In both cases, it may practically be said, large supplies of gold must instantly be had, at whatever cost. All the exertions of dealers in money and exchange are needed to provide for these demands and adjust the consequent fluctuations in the money market; therefore, foreign exchanges are, as we have before remarked, carefully watched by the intelligent capitalists and bankers who regulate their transactions accordingly in loans and discounts.

One more cause of disturbance in exchanges remains to be noticed — of the severe effects of which we have, not long ago, had a remarkable instance. When from any of the causes above adverted to, or from a continual course of government expenditure exceeding the revenue, the stock of bullion in a country is gradually drained out, those having the control of the currency may recruit their finances at whatever cost to avoid the necessity of suspending cash payments. The laws of profit and loss — the usual guides in commercial operations, here cease to regulate their dealings in gold and silver; for the precious metals must be had, at whatever sacrifice. This class of operations, in great measure, sets common rules of calculation at defiance, and the duration and extent of the consequent demand for bullion can only be very uncertainly estimated by the different circumstances of each case of its occurrence. The general limit depends upon the amount of balances owing from all other nations and of credit in all quarters which can be discounted into imports of gold and silver by the country seeking supplies. In measuring this limit it must be borne in mind that, in addition to all outstanding debts and balances, due from foreign lands, a considerable change of investments is frequently made to reap the profit of the temporary and fictitious premium on bullion. So long, therefore, as the credit of the country thus bidding for

the precious metals is good, and the buyers are willing to follow the market up in prices, their purchases of bullion will continue until their wants are satisfied.

Some writers have discussed the possibility of doing away with exchanges altogether, and of abolishing the differences between the currencies of different countries, by using in commerce one money of account, common to all lands. This, however, may here be dismissed with bare notice, as a mere speculative theory of all but impossible adoption, and which, if used universally, would not produce the effect which those who suggest it anticipate. The existing fluctuations in exchanges, instead of being done away with, would reappear in a different form, adapted to the proposed change. For these fluctuations depend upon the variable demand for money in different places at different periods, and cannot be prevented by any uniformity of denomination. No regulations fixing one uniform size of bottles would make the price of wine the same in all countries at any given time. Cotton is sold by the same pound weight in England and in the United States; nevertheless, the prices of cotton often vary considerably between the two countries.

A more rational and feasible proposed change is the alteration of the division of our pound sterling, by substituting a decimal partition for the shillings and pence now used in payments and accounts. It is easy to see how this would simplify all our money reckonings at home and abroad, especially the computation of exchanges. It may be hoped that our country will not long be deprived of this great advantage, already enjoyed by many foreign lands, of which the United States and France are the most noteworthy instances.

CHAPTER V.

FLUCTUATIONS IN PRICES AND IN THE MONEY MARKET — PANICS

Ordinary rises and falls in prices, which continually occur in the daily course of business, have been considered in previous chapters. But every now and then there arise sudden and immense fluctuations in the prices of everything, often followed by much commercial distress and many failures, which, as affecting nearly all classes, demand separate notice in concluding the present review of the money transactions of our country.

These storms, as they may be called, producing wide shipwreck in the commercial world, have latterly occurred, with singular regularity, about every ten years. Though almost each of them arises in a different quarter from that preceding or following it, yet all exhibit in their onward progress the same rapid passage from confidence and wealth to panic and poverty. None of the material property of the country may be destroyed, but the continual successive falls in prices generally render this property for a while comparatively worthless. To this decline there seems for some time no limit. The descent is daily more and more rapid until the crisis ends, and by degrees a return is made to the usual state of things when, in buying and selling, prices represent pretty nearly the values, or real equivalents in money, of various commodities. In tracing the causes and course of any of these disasters, we find that the worst effects are produced by a general panic, almost uniformly increasing until a certain point is reached, when fear ceases to operate. From the return of confidence dates the beginning of recovery. We also find that this panic, or almost universal dread of worse times to come, is the reaction from a previous reliance upon a fancied prosperity, which has been suddenly proved to have no sound foundation. And the violence of this reaction is generally measured, not by any real loss or misfortune having destroyed any actual basis of real wealth or property, but by

the height and dimensions of the fictitious fairy palace of riches which has suddenly come to ruin. On a close examination, this show of wealth—which looked so solid, but has at once melted away and proved a mere bubble—will be found to have been a mass of what commercial men well know as credit speculations. The name almost sufficiently explains itself; but the nature of these speculations will best appear from some account of their general features, and of the modes in which they recur. This recurrence has been stated to be generally periodical—about every ten years; and the uniformity of this period arises from the nature and origin of the speculations themselves. Soon after the recovery from any crisis in the money market (as one of these commercial panics is often termed), business resumes its regular course, and that uniform increase of wealth, which has for years back marked the progress of our country, goes on as before. In this state of things it soon becomes easy to extend large operations upon credit. Capital rapidly grows more abundant, and is invested with wonderful recklessness in various ways and schemes, which are held out as promising larger profits than the common channels of business afford. These schemes for the employment of capital are properly termed speculations, as speculating on the future instead of relying upon the actual present state of things for expectation of profit. And when this spirit of adventure is once excited it spreads like an infectious disease. Manifold and various are the diverse forms assumed at different times by this speculative mania, as it may not improperly be termed. Investments in foreign countries—great undertakings at home—mining adventures—railways—joint-stock companies of various kinds—immense speculative purchases of different commodities and descriptions of produce, are some of the features which have appeared and reappeared in those periods immediately followed by the latest successive panics, and consequent commercial disasters.

The course of speculative transactions was traced in a former chapter as causing for a time an artificial demand for the article chosen for speculation, based upon an expected future

scarcity, when the hoarded store would command high prices; and the same principle guides speculative dealing in stocks, shares, &c. For a time, this speculation itself produces the expected scarcity by buying up all existing supplies of the article selected, and thus increases prices. And as prices rise, the same article is sold over and over again many times, each successive purchase and re-sale leaving an apparent profit to the seller, and thus tending to increase the speculative excitement. All real prices based upon values soon cease to exist, and are for the time replaced by fictitious prices, wholly depending on the speculative demand. Thus each successive sale is like the bidding upon bidding at an auction, by which absurdly high prices are often reached. Ere long, trade becomes wholly demoralised by these immense profits, which, though fictitious, continue to pass from hand to hand so long as, to use a figure, the ball can be kept up; and the ordinary calculations of commerce are replaced by mere gambling transactions.

Even those who have for some time been prudent enough to see the unsoundness of all this, and have long kept aloof, are too often, sooner or later, tempted to step in, fancying they can realise some of the profits they see made around them by successive rises in prices, and retire with their gain before the catastrophe comes. This may sometimes succeed, but is a very hazardous attempt, and mostly overwhelms in the common ruin those who have thus been lured by the brilliant, though short-lived, prosperity of their neighbours to forsake their own better instincts. To this fate they are more exposed by their very resistance to the temptation, which has lasted so long that they often come in hastily at last, just when the wave is at its height, and they are only in time to share the general loss.

As might be expected, when the bubble bursts all the apparently solid body of wealth it contained at once sinks to nothing in the collapse. Our readers will readily understand this to be the natural and inevitable end of the inflation; but they may not at first see why general panic and, for a time, something like widespread ruin should follow. They may be

disposed to think that the removal of what is empty and unsound cannot change or destroy what is real and solid; and that the destruction of what we have termed mere bubble wealth should therefore leave the real property of the country whole and intact, as before. This is, to a great extent, true; let us therefore examine why such general disastrous consequences attend these times of reaction from unsound speculation.

These speculative transactions being merely transfers of property, or of what passed for property, have created no wealth. The same goods or produce, or shares, stock, &c., have been sold many times over at increased prices. Thus the same real property which before was represented by a certain amount of money approximating to its real value, is now held to be worth many times as much. This naturally increases the apparent capital employed in commerce, and would have demanded a largely-increased currency to transact the daily operations of business, but for the intervention of a credit circulation, for which, as has been above remarked, the prosperous times in which these speculative manias originate afford great facilities. An immense circulation of bills of exchange is absolutely necessary to enable these rapid and continual rises of prices to take place. Were all money dealings confined to the legal tender, which we have defined as being alone properly called currency, the price of bullion would have been a continual check upon any rapid and unsound general inflation of the prices of other commodities. For, even supposing the Bank of England were able unwisely to extend their issues of notes, to meet the increasing demand for money, the gold in their coffers would ooze out so rapidly as would soon compel them to retrace their course. Their whole note circulation having been, on our supposition, so immensely extended, though far more notes than before might be kept in circulation, yet far more would continually come in for payment in gold, as the high price of bullion operated on the currency, causing the sovereigns to disappear as soon as they circulated at less than their supposed value. Moreover, the rates of foreign exchanges would soon cause the export of gold to other

countries. Thus the state of the Bank's balances would force them to contract their issues of notes long before the currency had been expanded to the excessive extent which would be required for these times of speculation, if bills of exchange were not rapidly created to supply the increased demand for circulation in the settlement of accounts. As long as credit is good, these bills of exchange pass readily from hand to hand, without any check to a continual increase of the amount in circulation. Every rise in prices augments their amount, and the necessity for taking up each bill when due, which would be some limit were payment then made in legal tender, has no effect, since, as we have before shown, the due bills are merely replaced by others having some time to run, which are alike, in their turn, withdrawn, when their day of payment comes, by fresh bills being given for them. And thus as long as the credit system can be maintained, the wheel may go round, and an immense nominal amount of business be transacted with a currency which is not a tithe of the floating circulation required for settlement of accounts.

To this continual rise in prices, and repeated buying and selling of the same goods, stocks, &c., over and over again, there must clearly be some limit. The state of trade at home and abroad being wholly unsound, a touch bursts the bubble which had been blown to such an enormous size, and instantly the seeming substance is lost in air. Though the credit circulation may have been so extended as almost to do away with all real payment, there will always be some transactions (especially in foreign trade) where payment cannot be avoided. Suddenly difficulty arises at some point or other in finding legal tender to make these payments, and it is at once found that the apparent wealth and prosperity have no real foundation. It is seen that the mass of bills of exchange in circulation, which for some time has gone on rapidly increasing, far exceeds any means of paying them in currency. To the confidence which gave wings to this credit system soon succeeds panic, with all its ruinous consequences. The first blow may have come from some house abroad failing and dragging down its connections at home, or from some bank, long tottering to

its fall, being no longer able to keep a host of worthless bills in circulation, and unexpectedly refusing further discounts, or from some other cause. For a while a brief struggle is generally made in the commercial world to keep things together; but this seldom lasts long, and one house after another sinks to ruin. By these repeated failures credit is for the time entirely destroyed; and, as bills of exchange no longer circulate, the amount of currency at the command of everyone who has payments to make is wholly insufficient to meet his engagements, though he may have ample property of various kinds which he is unable to turn into money. Of course the bubble stocks, shares, &c., which before were considered as valuable security, are suddenly found to be wholly worthless, and our readers will now see that the widespread distress and ruin following every crisis of this kind, arise from the entire destruction for the time of credit, and the scramble for currency to make payments. At first, immense sacrifices are made — property is pledged or sold for much less than its real value, and for a mere fraction of its nominal worth at the time, and prices fall from hour to hour even more rapidly than they had risen; for sales are pressed in desperation, merely for temporary relief, and this pressure being next to universal, everybody wants to sell to provide himself with money, and, there being few or no buyers, transactions between debtor and creditor lapse rapidly into a condition of barter upon ruinous terms. In these periods of misery startling discoveries are frequently made, which increase the universal panic. Houses of repute are found in many cases to have kept worthless bills of exchange in circulation by fictitious sales of goods, obtaining credit by what must, in plain terms, be called mere fraud and swindling. And it too often happens that they have procured discounts from banks and money-lenders to such an enormous extent that the latter were completely in their power, and became parties to the deception because disclosure would have ruined themselves as well as their deceivers. Both have merely kept themselves afloat by meeting each batch of worthless bills when due by a fresh issue, which gradually grew larger and larger; and this

ruinous process being no longer possible, banker, discounter, and tradesmen all fall together. In this universal ruin the prudent, solvent, and honourable are too often, sooner or later, involved. For the time, the most valuable property is, as we have shown, next to unsaleable; and the banks and capitalists, who ought to have been prepared to extend their aid to others, are, from the failures in their own body, often barely able to take care of themselves. Meanwhile, the Bank of England finds its store of gold rapidly diminishing, from the sudden want of a largely-increased currency; whilst the bank notes in circulation remain out, and may at any moment come in to be exchanged for gold. Therefore the utmost caution is needed, and such an extension of the currency as would afford some relief becomes for a while impossible. And the existing currency, inadequate as it is to the requirements of these troubled times, at once largely disappears from circulation just when it is most needed; for every one who is able to do so hoards all he can lay his hands upon, not knowing what may happen, and driven in the universal mistrust to depend almost wholly upon his own resources.

The first step towards a recurrence to a healthy system is such an agreement and common action amongst solvent banks and capitalists as may liberate these several hoards, and restore to circulation the much-needed resources which have been thus retained by panic in private hands. But the point when monied men can safely do this and come forward with such unanimous and effectual guarantees as will warrant the Bank of England in heading the movement to restore confidence, is not easily ascertained. If the attempt were made before the proper time, the extent of what is wholly unsound being unknown, there would be much danger of increasing the mischief and prolonging the crisis by attempting to prop up what is wholly unable to stand, and must ultimately fall. Moreover, to be successful, the arrangements must be ample; and it is very difficult in such times to know exactly the extent of support which the money market will require. The safest practical test is the general decline of prices so far below values, that everyone is aroused to prevent a depreciation of

his own property; to which, if left longer to itself, there hardly seems any limit. And yet personal credit being for the time almost wholly destroyed, this property is the only sound basis of security to be given for all the necessary loans or discounts to prevent universal bankruptcy. Therefore such property, by agreement, begins to be estimated as security, more with regard to real value than by the depth to which prices have fallen in this exceptional state of things, which it is generally felt cannot last much longer. As has been before remarked, from the time when, by such united measures, confidence is restored, reaction from the lowest point commences, and proceeds steadily until prosperity is restored.

But before this time ruin and misery have spread far and wide, reaching in their effects the industrial classes, and bringing down many who, in ordinary times, would have remained abundantly solvent—perhaps wealthy. It is difficult to say whether this disastrous period might not be shortened instead of being allowed to last until perhaps something near to national bankruptcy is reached. The first great difficulty is want of union amongst bankers and men of capital. Amongst the most substantial and solvent many are interested in the increasing dearness of money from their large profits on loans and discounts. These generally say that things must be left to themselves to go on until, as seamen say, the ship rights herself; and they only consent to join in an effort to arrest the downward course when there seems no limit to the continual fall, and they begin to fear for themselves and all their gains. Another large class clamours loudly for the Bank of England to come forward early with such help as will restore the ordinary course of profitable industry. But these clamours are mostly wholly unreasonable. As we have already seen, the Bank of England cannot actively interfere with safety, or with any assurance of success, until the leading capitalists unite to call for and support the movement; since it is only by prudent combined arrangements with them that any such expansion as the Bank can safely give to the currency will produce the desired effect. For, as has been shown, the immediate demand is at once to replace an inflated credit

circulation which has lost its worthless existence. All the portion of this demand which arises from panic must be destroyed by combined arrangements between men of business, and such an agreement come to as will effectually economise the currency required until credit is fully restored on a sounder basis. These arrangements, adequately made, enable the Bank of England to act with vigour and success in securing the return of prosperity.

Thus we obtain a view of the only means affording any reliable hope of shortening such a fearful crisis. If a sufficient timely union of action, based upon adequate security and mutual support, could be obtained amongst capitalists, there might be some occasional panics and failures, but things would never get to the worst. Perhaps by some such permanent union, and by exchanging information with continual attention to keep trade sound, as far as can be done, bankers and money-lenders would make it difficult, if not impossible, for wind schemes, commercial gambling, and worthless paper money to be pushed at any time to such an extent as to produce great commercial distress; for, as the capital of the country continually increases, the power of bearing losses also extends, and with such provident care as has been described unsoundness would be detected and cut away before the canker had spread too far. It is well worth the attention of men of business and men of money to see what might be possible in this direction, since, if these periodical panics could be prevented, our onward course of national prosperity would be freed from almost its sole existing drawback or hindrance.

It will at once be apparent that these periods of panic and ruin could never occur were all individuals prudent and honest. But this, of course, we cannot hope ever to find. Like causes again and again continually produce like effects. The crafty mislead the ambitious and covetous; and the latter, moreover, are too often ready to enter into unsound speculations, deceived only by their own sanguine dreams of coming wealth. Dazzled by the golden lure, they lose all the sagacity and prudence which are needed at every step in all business matters. Though few, we fear, can be induced by any advice

to be more cautious, some parting words on this head may be a suitable conclusion to this chapter. The duties of bankers and money-lenders have already been considered in some detail. Were they careful not to depart from sound modes of doing business, it would be difficult for speculative transactions to be extended to dangerous proportions; for they supply the wings without which what may be called the '*windbags*' of credit could not fly far. But, however they may act, every merchant and man of business can, in a great degree, by timely prudence, take care of himself. Sudden and extravagant rises in prices, or extensions of large adventures, will sufficiently warn him of the danger of the coming crisis. He will sell in good time — will contract rather than extend his engagements, so as not to be encumbered with stock, or dependent for his safety upon others. He will early be cautious in his dealings, even with the largest houses, if they are deeply embarked in adventurous speculations. Aware that unsound profits, however seemingly great for awhile, are mostly lost, in the end, in periods of commercial panic, he will not seek gain of this kind, but rather be especially careful to prepare in time for the coming storm; for he well knows that those who emerge with resources unimpaired when fair weather returns, have a splendid field before them — freed for awhile from unsound competition, and able to choose transactions yielding sure and healthy profit. Above all, he will have preserved what an English man of business can never prize too highly — the confidence of all who have dealings with him, founded on his proved honour and ability.

PART IV.

GENERAL SUMMARY

CHAPTER I.

ON SOCIAL INTERCOURSE AND RELATIONS

HAVING traced the steps by which society advances from the earliest stage, described in our general outline, let us pause to survey the aspect presented by our social organisation at the present day: first hastily considering the whole, and then dwelling awhile on some of the most noteworthy classes and institutions.

The association for mutual protection and the acquisition and security of property, which began by gathering together a few families, has grown to be a mighty nation. The division of labour traced to its origin in each individual of the family following the calling for which he was best suited, has spread from the simple wants of savage life into all the manifold separations marking the trades and professions of a highly-civilised community.

Following these immense changes in their course, from the scanty resources of the primitive herdsman or hunter to the accumulated wealth and luxuries of our times, we have found some leading features in the aspect of each stage of the progress, without which no advance could have been made. Security of person and property, division of labour, and free action and competition, will at once occur to our readers as

chief amongst these; and each of these essential requisites of all healthy individual or national prosperity has changed as much in its extent and requirements as has society, on the whole, in the onward march of civilisation. The dangers from which person and property now chiefly require protection have varied in a great degree from the open attacks of force and plunder to the subtle and various perils of fraud and chicanery. The division of labour is extended from the line separating one labourer or craftsman from another to a myriad of refined distinctions between thinkers, teachers, workers, &c.; and the freedom of action now required has expanded from the confined range which each individual man can grasp in his hands or traverse with his footsteps to the confines of the globe—the command of the elements, and all between heaven and earth that human thought can measure and human energy employ. Thus has society changed in its aspects and relations no less than in the bonds by which it is held together. Over its present state we will now throw a rapid glance, noticing the stages through which it has passed only when invited by any light thrown by them on the present unexampled prosperity enjoyed by our country.

On forming societies men submit to many restraints and give up a large portion of their personal freedom for the protection derived from association. We have marked the tendency of the middle ages to unions in guilds and corporations for the sake of this security. But when all are alike protected by a strong civilised government each individual can safely reclaim much of the freedom he before surrendered, and finds that he can advance farther and faster when moving alone than when marching in a large company. Hence the tendency of our times is, as has been already remarked, destructive of many of the earlier forms of trading and municipal association, and tends strongly to individuality of action. This change, with all the benefits it gives by the immense expansion of enterprise, brings also some share of attendant evil. Some of the mutual sympathy and support which these guilds or incorporations of trades yielded to their members is thus lost. It may, however, be hoped that this loss is, in no small degree,

repaired by the active benevolence of individuals, the increase of which is one of the happiest features of our day. Fortunately, we do not see in our country the worst development of this spirit of independent activity which, it may be feared, is a heavy drawback from its benefits to our kindred nation across the Atlantic. Our youths do not here throw off home ties and feelings and rush into the world as men before the actual age of boyhood is ended. Such immature plunging into busy life, ere head and heart have been half disciplined, is of no hopeful aspect for the morals or intelligence of the future. The recognition amongst us of the necessity of thorough education and training for all classes affords a contrast to the New World in every respect to our advantage, and is, perhaps, the best omen of our day for the continued welfare of the British Empire. A passing remark may here be given to a subject attracting much attention at present—the employment of women in many trades and callings which they have not before attempted to exercise. Hitherto, they have been so restricted in their means of earning a living as often to be left in pitiable destitution, when not well provided for. The chief difficulty in this case arises from their almost universal want of that thorough proficient training, without which little remunerative work can be procured. All help and sympathy should be given to their meritorious efforts to remove this obstruction, and to aid them in acquiring independence: still we view with regret the necessity which drives them out of what they are best fitted and made for; thus, as it were, counteracting nature. Their own instincts generally first turn in their hour of want to what is generally termed woman's work. But few are fitted for the educational standard of these days, and these few are frequently hard worked and underpaid, even when they get employment. The lot of those who rely upon their needle is often truly wretched. The most promising prospect for them is emigration, both as to their own future and the boon they confer upon the lands where they are so much wanted. There a career of useful comfort may be hoped for—first, in the households of others, soon after in their own.

Before considering a few leading divisions of our home

society, we cannot conclude this chapter without specially noticing one great feature of the existing social relations of our country. Of all nations of whom any record exists in times past, or who now flourish, the British stands pre-eminently chief as the founder of colonies.* These are not like those of the Romans—mere outlying portions of a mighty empire, subordinate to the capital, and reminded by the restraints and tribute imposed upon them of the conquests in which they originated; nor do they resemble the swarms sent out by Grecian States from the parent hives to neighbouring shores, which reproduced in miniature the arts, luxuries, and manners of the mother country from which they sprang. As little can they be compared with the less successful attempts various European nations have made, and are yet making, to plant offshoots of their several races on foreign shores. Our English colonies are no exotic plants to be carefully tended by an artificial culture, striving to reproduce abroad the climate of their origin, but too fortunate if, in their new land, they can retain a feeble show of life and vigour. We cast into every foreign soil the acorns from our native oak, leaving them to struggle upwards in their sturdy growth, till they rise to fling around wide branches, covering far lands with the mighty shadow of the English name. In the untiring energy of our native character will be found the elements of this unexampled success abroad as of our prosperity at home. To overcome difficulties, to create their necessaries, comforts, and pleasures rather than to accept them ready made, is the main ingredient of happiness in life to a large majority of Englishmen. This ceaseless activity is not shared by any other country save the powerful nation in the New World, which sprung from ourselves, and is the crowning triumph of English colonies; showing forcibly, as many others do, the full strength of indomitable resolution. Our colonies made head for a long time against the absurd

* The Phœnicians, as far as our feeble lights penetrate the remote darkness of the earliest ages, afford the nearest parallel to our wide range and success in colonisation. Their traces spread over nearly all the world known to antiquity; and Carthage will occur to every reader of Roman history as the latest living proof of their mighty power.

colonial system already noticed, which viewed them as little better than bondsmen of the mother country. Then followed mistakes, from which, in some cases, our management is hardly yet quite free in treating them (with the best intentions for their good) like children wholly unable to guide themselves. Overlooking differences of climate and circumstances, we laboured at home to drill the settlers far away, like a regiment of our national army, into complete uniformity, in all respects, with ourselves. Happily for our times, this error is more and more exploded every day. We are learning to what extent and under what conditions our different colonies can with advantage adapt the institutions of their native land to their several wants. Above all, we are beginning, with the happiest effects, in increasing their attachment to the parent country, and in adding to their prosperity and to our own, to understand in how many matters they can govern themselves far better than we can rule them.

CHAPTER II.

THE PROFESSIONAL CLASSES

The line of demarcation between physical and mental labour has been traced as having existed from the earliest rudiments of society. We have also remarked how, despite of the occasional preponderance of brute force, mind has in the long-run vindicated its supremacy over matter, and almost invariably supplied the main elements of governing ascendency. As mankind advanced in culture it has appeared how much the bodily powers have gained, step by step, from various sources, of strength, which the intellect has taught them to gather from the elements of nature around them — to combine and wield for a variety of purposes. Having seen the workers carry all the arts of life nearly to perfection in the present day, let us throw a glance over the thinkers, without whose aid all must

have remained in a very crude and imperfect state. It will soon be evident, even upon the hastiest survey, how much agriculture, manufactures, and commerce owe to what are termed the professional classes of our prosperous community, and how closely all are in these times connected together. This union was long deemed undesirable and impossible. Theory and practice were supposed to be diametrically opposite in their essential elements; the former delusive and unsuccessful — the latter alone real and prosperous. Our full measure of national improvement has only been reached since the mode and degree in which they must be combined to insure perfect success have been generally understood and acted upon. This has been effected in a great degree by each imparting to the other some of its own most effective characteristics. In reviewing the professional classes of the present, as compared with those of former periods, a great increase of sub-division in their ranks, and of useful results from their pursuits, will be manifest. Far less attention than formerly is now bestowed upon trifles and curiosities, whilst the mental and bodily improvement and preservation of our fellow-men, and the enlargement of their command over the products and elements of the universe, are the highest recognised objects of interest and attention.

Into the degree in which experiment and what may be called system-building have been and are usefully employed, often supplying the only means whereby important results can be attained, space forbids us here to enter. The subject is of the highest interest, marking how the failures and successes of the tentative and inductive methods of research have mutually aided and corrected each other; thus enabling more real progress to be made in useful human knowledge in the last half century, than was reached in five times the corresponding period previously. But it must suffice here to note the practical tendency of these later times, as influencing the several professional classes now hastily to be reviewed. Each of these classes now compares the past with the present, and utilizes the best means of future progress, to an extent of which our forefathers had but a very limited and irregular conception.

This influence has extended even to the profession which, though first in individual and national importance, is, from many special reasons, the farthest removed from any variation in the end pursued or the means whereby that end can best be attained. The relations of man to his Creator — of the things of time to those of eternity — of this world to the world to come, have not been left in the same obscurity as that enveloping the material laws of the universe. Traced by the Divine Hand in plain and enduring characters, the practical relations and duties of man to his fellow-men have been substantially the same since he was first sent into this world 'to replenish the earth and subdue it,' and are universally understood and recognised amongst all Christian nations. Here no new discoveries are to be expected — but it may be hoped that increased attention is in our times given to the all-important question, how far our religious instructors may best succeed in raising the general character of the community. Into the effect of their influence upon individuals we can here only enter very partially, in so far as the State is composed of individuals aggregated. Therefore all questions of sects and creeds, which from all appearance will divide mankind to the end of the world, must be wholly left out of consideration. But the real and lasting welfare of any nation can only be based upon, and secured by, that high tone of moral feeling which has no deep root, save in what may be called the religious teaching of the people. This all history teaches — all sound thinkers have felt and recognised in treating of national progress. Therefore it is not foreign to our review of all that creates and secures material prosperity, to examine the only sure foundation on which this prosperity can rest. Nor is the result of this examination discouraging, either as regards the present state or the future prospects of our country. At the first view of the mass of evil and attendant misery which will never wholly cease out of the land, we might doubt this conclusion, and almost despair of the issue. But a closer examination discloses many good grounds for reliance upon the counteracting influences at work. Leaving for the present many considerations more properly belonging to a following chapter, we may hope that the

professional class we are now considering — our religious teachers — increasingly bestow their attention upon, and examine the results of their ministry, in reference to those duties about which all men in the main are agreed, rather than the dogmas as to which they will always differ. Thus doing, they are, and ever will be, the best guardians and protectors of our social progress and permanent prosperity.

A somewhat kindred profession next claims our notice; caring for health and life — the mysterious links whereby body and mind are bound together. The increased tendency of our times towards practical results derived from improved knowledge of causes and effects, has brought medical science into closer connection than before with the regulation of communities and individuals, as to many matters formerly wholly neglected. Prevention of disease is understood to be even more important than its cure. With the aid of the allied science of chemistry, researches have been made into the effects which food, air, water, clothing, &c., produce upon health in reference to many ailments of which but little was previously known. The results are satisfactory proofs of the real causes of the unhealthiness of many climates, districts, and classes.*

By careful attention to the records of the mortality of differ-

* Most of those terrible pestilences which are recorded in the annals of all nations may be clearly traced, by the light of modern science, to air, food, and water poisoned by filth. These visitations, formerly almost regular with certain conditions of the atmosphere, disappear before the increased cleanliness of our times, and the very names of many of the diseases so engendered are forgotten.

The times have happily long passed when our assizes were often marked by visitations of fever, caused by bringing the accused from a pestilential prison to stand their trial in a crowded court; and the rue strewn on the prisoner's box was a needful disinfectant, not as now merely a relic of old usages. In those evil days, to be committed for trial was too often a sure sentence of death to all, whether innocent or guilty, whose constitutions could not resist the malaria of their noisome dungeons. But since John Howard, about a century ago, nobly devoted his life to reform the abuses of prisons, their condition has been thoroughly improved all over Europe, save in a few instances, where the brutal tyranny of despotic governments has earned the detestation of all free, honest men.

ent places and seasons, now first properly collected and compared, the vital importance of cleanliness and purity in these matters is proved beyond the possibility of doubt. We are beginning to learn the dreadful cost and penalty of allowing foculent matter to accumulate — polluted air to be breathed — and bad food and impure water to be insufficiently supplied. It is found, that with due care on these points large towns may be made as healthy as the most favourably-placed country districts. And alike in town and country, the evil effects of the want of food, clothing, and warm, airy lodging, upon the poorer part of our population, are daily more and more recognised, and the remedy applied. It is seen how in filth and squalor misery and crime are too firmly entrenched to be fairly subdued. Clean, comfortable homes for our labouring classes are understood to be essential to their welfare. The outlay required for reform in these matters is found to be a cheap payment for the prevention or diminution of disease, pauperism, and crime, and consequent saving of the cost which they entail upon the community. We have dwelt longer upon this head, because, as our readers are aware, we hold that the moral and physical elevation of our labouring classes is the main security and hope for the continued welfare of England. We cannot afford to let their high standard degenerate — must rather by all means seek to raise it. As the parents are, so we may expect the children will be. Those who have been reared in comfort and respectability will seek to rise, and strive not to lose standing; those who from childhood have lived in dirt and wretchedness, will seldom attempt to reach a state of comfort of which they do not know the value. Here 'much has been done, but more remains to do,' in the right direction. Before dismissing this important subject, we will allude to the immense benefit derived from the diffusion of sound knowledge as to the means of preserving health in tropical climates. This is a matter of peculiar interest to our country — sending so large a proportion of her best young blood to our colonies all over the world. As this knowledge, recently acquired and increasingly applied from day to day, matures its full effects, many a valuable life will be saved at the very time

when its services, in the ripeness of energy and knowledge, are most useful to the community.

The enactment and administration of the laws of our land have been the objects of particular attention, from one generation to another, since England has a history. At no time have our countrymen been indifferent to the preservation of their rights of property and person. The care with which these rights have always been asserted and preserved is the admiration of all foreign writers upon our institutions, and admitted by them to be the main cause of our national preeminence. Great as may have been the abuses and follies at various periods enacted and sanctioned by our laws — oppressive as too frequently has been their administration — in no past generation have the English ceased to be, in the main, far above all other nations their contemporaries in freedom and purity of the judgement-seat. Many of the errors in the legislation of former days, now happily reformed or abolished, have been already noticed in considering the various branches of our subject affected by them. A few general remarks upon the bearing of the present state of our civil and criminal law upon the national welfare will be all that can now be compassed in the scope of this treatise.

Our English laws, like our people, are derived from many sources, and include separate nationalities which can in some instances be traced in the fusion of the whole into one system; in others, yet remain in laws and customs, only locally in force in the districts or countries to which they originally belong. Many of these laws, moreover, are derived from a state of society wholly different from that now existing, as is instanced by the feudal tenure of land, noticed in a previous chapter. These circumstances have caused a continual patching and tinkering of the original laws, in many cases where the old enactments grew obsolete or insufficient to provide for new contingencies and relations, continually arising from changes in our social circumstances. Thus, between the blunders and inconsistencies of repeated Acts of Parliament, and the mass of accumulated decisions of special cases, or what may be called *Judge-made* law, the delays, expense, and uncertainties of litigation

amounted, until very recently, to a practical repeal of the promise extorted from King John, in words which no Englishman should ever forget: 'To none will we sell; to no man will we delay or deny law and justice.' In noticing the great progress lately made and now making towards lessening this intolerable evil, the name of Lord Brougham must be deservedly honoured as the leader in those reforms which the present members of the legal profession are almost unanimously introducing from day to day, in a spirit worthy of all commendation. The removal of sundry oppressive restrictions, more or less affecting all classes, and the improvements effected and in progress in commercial law and in the transfer of landed property, have been previously referred to in their proper places. In turning to the present state of our criminal laws, we find their features so wholly changed from the spirit of past centuries, that almost every trace of their former aspect is lost. Though England has always been far—very far in advance of other countries, in giving a fair trial to everyone accused of crime, yet, until very recently, our criminal laws may with truth be said to have been written in blood. The indiscriminate abuse of the sentence of death, and the general severity of their punishments, wholly defeated the object of many of the most important penal enactments. In a country so free as England no laws can long be enforced which are repugnant to the moral sense of the community, or universally considered to be unjust and cruel. Therefore judges and juries often refused to be parties to what they felt to be legal murder or tyranny; and, between acquittals and pardons, criminals deserving of punishment frequently escaped free by wholesale, because the infliction of the sentence of the law would have been a greater crime than they themselves had committed. A worse state of things can hardly be conceived than that the laws which should secure person and property fall into deserved contempt and neglect.* In the reform of great abuses there is nearly always a tendency to excess of reaction. Perhaps in our present anxiety to strip punishment

* In all mention of Criminal Law Reform, the names of Sir Samuel Romilly, Jeremy Bentham, and Basil Montagu claim an honoured place.

of its vindictive character and to consider the criminal as an erring man, to be pitied and reclaimed, this error has to some extent been committed in the recent reforms and present administration of our criminal laws. Certainly they no longer now err on the side of severity—and experience will correct the mistake (if any), of a leniency diminishing the protection they ought to afford to the community at large. The efforts which are now made to prevent offenders from becoming hardened in crime and to reclaim them (especially the young) before they are wholly lost to society, are in every way wise and right in principle, and may be expected, when matured by experience, to produce the best results.

Those professional classes intrusted with the defence of our territories by sea and land, have shared in the practical tendency of our times towards continual improvement. Our army and navy are daily more and more reviewed in the determined spirit to spare no cost absolutely needful for the national honour and security, but to require for the country full value for this expenditure, in the efficiency of both services. Yet much—very much has still to be done in rooting up time-worn abuses, inefficiency, nepotism, and jobbery, and in substituting able and active administration for a vicious antiquated system of official routine. The country, however, is now becoming well aware what is wanted; and sooner or later the desired improvements will be made. It is now well understood that unless soldiers and sailors are properly cared for, disease kills and disables far more than steel or bullet. In these days of continual change in the weapons and materials of war, the nation, not keeping pace with the rest in skill and appliances, is half doomed to defeat ere the combat begins. True it is that the vigour and courage of Englishmen triumph in the end over almost every disadvantage. But this is often at a fearful sacrifice; and it will not long be tolerated that our country, excelling in the men and resources, which wisely applied would secure easy victory, should lose or peril the lives of her troops, the treasure lavishly supplied, and the national renown, by the incompetency, neglect, and blunders of officers and offices. This has hitherto too frequently been the case; and by some

incomprehensible fatality it seems next to impossible to escape from the doomed circle of mistakes and failures. Whilst our manufacturers, mercantile marine, and civil engineers, easily lead the world in applying inventions and improvements which other nations can do no better than copy and follow at a distance — in the weapons and appliances of war, though these now rest on the same base of mechanical invention and skill, every other land seems to be our leader. By an incessant expenditure of vast sums in providing what is useless and superseded as soon as the supply accumulates, we but imperfectly succeed in keeping pace with the rest of the world — too often just a day behind the latest improvements. This state of things cannot be allowed much longer to continue. Some reforms, it is true, have been made; but they are yet very far from meeting the full necessity of the case or the demands of the country.

Our following pages review some remaining professional and artistic classes; and this chapter will now close with a few remarks on the present aspect of scientific pursuits, which we have before noticed as practical to a degree, for which no past age shows a parallel. Familiar instances of this will suggest themselves to every reader, and need not here be enumerated. Could Bacon arise from the dead, even his mighty mind, which viewed with prophetic glance the insight following ages would obtain into the mysteries of nature, might wonder at many of the discoveries of these days and their results. The benefits lately derived from science by the arts, agriculture, manufactures, and commerce, have been by them returned tenfold. Increased facility and rapidity of communication, the lessened cost and vast improvement of instruments, &c., the stimulus of large rewards for successful discoveries of practical importance, and the records of new results from experiments made in the daily business of life — all these have repaid to scientific pursuits the advantages derived from the inventions and improvements which they tend to produce and multiply.

Division of labour, systematic research, and the combination of many eminent men of many nations in the search for truth, have in our times immensely multiplied the powers of scientific discoverers. It can hardly now be possible that isolated

inventions or discoveries should long lie hidden or dormant bearing no practical fruit. What one man originates, another without delay improves and applies. By communication, discussion, and a wide range of experiments, contradictory theories are sifted and brought to some rational agreement; thus preventing the former waste of time and mental power, in erroneous and antagonistic efforts. If we are as far as ever from penetrating many secrets of nature, which Bacon fondly hoped might ere long be revealed by an enlightened course of experiments and observation, yet numerous analogies and relations have recently been discovered between many hidden points, where no connection was formerly thought of, and various errors are continually exploded, whilst new facts are daily added to our stores of knowledge.

Many indications seem to suggest that we are nearly approaching great discoveries. The next generation may probably advance far onward; and, by some brilliant application or combination of newly revealed truths, produce even more important changes in our present arts of life, than those our age shows in comparison with the past century.

CHAPTER III.

EDUCATION, LITERATURE, ARTS, LUXURY

When a boat's crew lands on a strange shore inhabited by some savage nation, or a few travellers boldly cross wide countries far removed from all the support or safety of civilisation, the most striking proof is given of the power of knowledge. Fierce and bold tribes crouch in fear before the handful of visitors who are to them as 'Gods knowing good and evil.' Yet vast as is the distance so widely dividing the savage from the civilised man — patent to all as is here the supremacy of mind over physical power — the measure of the gulf between the educated and the wholly ignorant is even wider in the

midst of society in our times, though not, perchance, so apparent at a cursory glance. Suppose the boat's crew landed to remain, or the travellers settled for awhile in the newly discovered country, all their knowledge would in many cases fail to procure food, clothes, and shelter, without the help and teaching of the poor ignorant savage. The ruder the community the greater the importance of bodily strength and skill; the more artificial the state of society the less will they avail in securing the comforts of life without some aid and direction of mental education. So all but universally is some portion at least of this education now diffused in England, that perhaps few of our readers will fully comprehend how low in the scale of creation is a wholly untaught man, even in these days and in our metropolis. This class is happily fast decreasing, and may be expected soon wholly to disappear as the children are by education prevented from recruiting it. But for any the slightest knowledge of all that passes around them beyond the dark corners in which they lurk, these outcasts might as well be in Nova Zembla or Central Africa. Of all outside of the limited society, too often of crime, which may be termed their country, they know nothing except as of some strange enemy to be plundered and evaded. Like wild animals they prowl for the day's meal, and have no idea beyond that of escaping punishment. Compared with their life that of most savages is one of dignity and comfort; and often their entire ignorance of everything, even of the Deity as ruling in Heaven, or of the Sovereign of our land, can be exceeded by none, and is hardly equalled by few even amongst the most barbarous and remote nations.

We have dwelt upon this comparison as forcibly illustrating the misery and curse of the entire want of education in a highly civilised country. The misery is endured by the wretched victim alone — the curse, by a righteous retribution, is flung with terrible force upon the community which has allowed him to exist almost wholly deprived of all that raises man above the brutes void of understanding. Each of such beings is in society like the fretting leprosy which the Divine Law-giver of the Jews declared to make the house or garment

wholly unclean. We have just shown how our laws formerly dealt with a man of this class. The idea that the State had any duties towards him never occurred to our legislators. He was to be killed as a noxious animal as soon as some breach of the law revealed his existence. But it was found that even this severity afforded very imperfect security to life and property. The beasts of prey increased and multiplied until crime seemed, like religion, to gather strength from persecution. A light which had long dawned upon the wise and benevolent in many lands, at length gradually overspread our whole nation. Enlightened by the terrible teaching of facts, men at last lent an ear to voices which had long been disregarded as the dreams of kind-hearted enthusiasts. It was confessed that the worst and lowest criminal was wronged by being allowed to live wholly untaught, and that even were it just, the extirpation of this class by execution was impossible. Light leads to light. The right of every man, bound in heavy penalties to obey the laws, to so much teaching as would as far as he needed explain them to him having been admitted, it soon appeared that the duties of the State did not end here. Poverty, too often the handmaid of crime, was found to be almost certainly the child of ignorance. So it was admitted to be further both the duty and interest of the State to help to educate those who are too hardly pressed by the daily struggle for the means of existence to be able to help themselves. At this stage of the education question there was a long stand; and much dispute arose as to the amount of teaching to be given to the working classes. On this point the ideas of our forefathers were in the main very limited. The protection and restriction theories were here in full force. It was feared that the workers would be raised above their station if they shared in the full measure of learning supposed to be enjoyed by the upper classes. Something they must be taught, but all desire for any knowledge beyond the very lowest and most elementary must be carefully repressed as dangerous. These mean and foolish ideas were often held by those who, being very imperfectly educated themselves, feared lest the class beneath them should be wiser and better taught than they were. Here

again all honour must be given to Lord Brougham, to whom our working men ought to be ever grateful. Many others gathered nobly around him to vindicate the claims of the sons of toil; but his name stands out for the last half century as foremost in showing, in contempt of the prejudices of his time, that the fullest possible enlightenment of the working classes so far from being in any way hurtful or perilous to society is the best safeguard of our liberties — the surest means of our national progress and welfare.

This point won, the education question was safe. Justice, like mercy, is doubly blessed, both to the giver and the receiver. The fear that the upper and middle classes would in the long run prove to be worse educated than those beneath them has been met by them in the proper way, by improving their own education instead of attempting to dwarf down all national advancement to their own former standard. Thus beneficially has the good gift imparted been by reaction enjoyed by the givers far more fully than before. Our countrymen have taken up this matter, as they do all things when in earnest, very practically. To enable men to teach others they must first be well taught themselves; and the happiest results are following the attention now bestowed upon the instruction and competency of teachers of all classes. Formerly the bitter satire of our great humourist was but too faithful a description of many schools:—'They were everywhere on the cheapest principle — the ignorant teaching one another.' The duty of the State to watch over the education of all its subjects being admitted, the extent to which Government should directly interfere in this education came next to be settled. Here, in addition to the healthy sturdy spirit of Englishmen (to which our country owes so much) resisting every attempt of their rulers to do for them what they think they can or ought to do for themselves, a difficulty stood in the way peculiar to the subject. It is happily universally recognised amongst us that religious moral training must be the root of all sound useful education. Knowledge is power, and power in the hands of the worthless and unscrupulous merely increases their means of injuring others, and can therefore only be harmful to the

community. It is therefore admitted that if Government wholly neglect to ensure moral training all other educational help will be given in vain. But the liberty of conscience divides England into many religious sects, each of which claims to possess the true doctrines which teach men to be good in this world and happy in the next. Consequently this important branch of education could only be very imperfectly undertaken by Government, which must be strictly impartial between rival Christian professions; nor could it be wholly intrusted to the ministers of each religious denomination, as they would, in the fervour of zeal and proselytism, too often pervert education to merely sectarian purposes. In this, as in many other matters, something like a compromise has been arrived at, the details of which cannot be here described further than to say, that the principle has been to leave as much as possible, to the parents and ministers of the Christian denomination to which they belong, the religious and moral training of the children; the State granting money impartially to all in certain defined proportions, on condition of being satisfied by proper inspection that the moral teaching includes those great Christian principles recognised by all, and that the secular instruction efficiently teaches that rudimental education which no subject of a civilised nation can safely want. This system is working, upon the whole, with very satisfactory results. The national schools are now, with very few exceptions, in an efficient state; and the working classes, stimulated and aided by their wealthier fellow-citizens, have numerous institutions all the kingdom over for instructional classes, lectures, &c., in the higher branches of education. By these means, and the establishment of public libraries, the gates of knowledge are opened to all; and in our country almost every man of average industry and intelligence has now within his reach the means of acquiring more sound, useful, practical information than the unlimited command of wealth could have procured a century ago for the son of a monarch.

The education of our middle and higher classes has been recently modified by the same practical tendencies as have so strongly coloured almost all the social institutions of our times.

Formerly, nearly all our youths brought up as gentlemen were taught the classics and little or nothing more. All knowledge of any sciences — the modern languages — arithmetic — geography, &c., for any useful purpose had to be acquired (if at all) later in life, when the necessity for the particular knowledge or accomplishment arose. It is now rightly considered that the time given to education is misspent unless the pupil is taught what the sphere of life which he is destined to enter absolutely requires him to know. But the noble languages, literature and history of Greece and Rome, do not therefore cease (and we trust never will cease) to form a main part of all liberal education. Our colleges have lately by their competitive examinations all the country over maintained their claim to be regarded as the heads and leaders of English education in a spirit worthy of all praise. From these examinations, as well as from those now required before entrance into public service or a professional career, the good results are already manifold and apparent, and will continually increase as the system expands to bear full fruit.

Space compels us finally to dismiss this important subject with a few remarks upon the education of women. No prejudice of past times was more foolish or mischievous than the dislike and opposition which long encountered all attempts to cultivate or elevate the minds of women. Fortunately this reproduction of one of the most fatal errors of Eastern policy has now been long consigned to deserved contempt. We well know how much our English homes and all that is best in English character owe to English wives and mothers — our first best teachers and companions in all that instructs and refines mankind; and it may be hoped that few now are the families in which the daughters are not as well taught as the sons in all save the special instruction required for a man's part in life, which is properly replaced by the teaching fitting women for their own peculiar throne and glory — the guardianship of all our domestic comfort and happiness. All the attention now given to instructing the wives of working men in household duties — especially in good cookery, one of the safeguards of good health, is most practically useful and may with

benefit be much extended. A cheerful well-ordered home is a good influence to a man returning from his daily toil of which the benefit can hardly be overstated.

A glance over what education puts into the power of this generation naturally follows this hurried review of education itself. Our limits will only permit a very cursory mention of some salient features distinguishing the literature of our times. The gigantic extension of periodical publications and almost infinite multiplication of books for all classes, are the first great points of difference between the present and all past ages. Our newspapers, laying under tribute railways, electric telegraphs, and all the latest improvements of machinery driven by steam, are equally marvellous as rapid continuous exhibitions of high intelligence and as miracles of manufacturing power. Of the superabundant quantity of food for the mind supplied by these, and by the millions of copies of various books incessantly flowing from the press, there can be no doubt — of the quality and tendency of this nourishment it is very difficult to speak with any accuracy, from the infinite variety in the store thus supplied. That much weak and erroneous matter, some positively pernicious, is thus circulated cannot we fear be denied. But it must be remembered that almost every one now reads. Much of what is doubtless feeble enough finds readers whose minds it can reach and perhaps to some degree instruct, who would be wholly unable to relish or digest any stronger food. For what is erroneous or hurtful there can of course be no such apology. The circulation in this case is wholly an evil. But it is only one form of that evil which meets us almost at every step and lies around us in this world, and even here there is to some extent an antidote. When the refutation and discouragement assailing error and crime wherever they appear are considered, and it is remembered that all the evil influences of the latter, even if not brought to the open light of day, would be at work insidiously in a myriad of private channels unknown and unrefuted, there may be reason to hope that truth and good morals suffer on the whole from these pestilent publications less than might at first have been feared. And this view is supported in a grati-

fying manner by the great elevation in tone of our public press and periodical literature generally, ever since they came to be, as they may now be fairly termed, the organs of the million. Any one turning over the pages of newspapers and other kindred publications published some twenty or thirty years ago, will find even amongst those which to some degree circulated amongst the higher and more educated classes much to which we need not further advert which would not now be tolerated in any working men's reading room. Nor would a comparison (as far as we are wont to compare little things with great) of the general tone of much of the literature then current with that now so widely circulated be in the main less gratifying. There is an almost daily increasing appetite amongst all classes for fact in place of fiction — an increased desire to use the expanded means at our disposal for discovery of the truth in history and science, with a general recognition that the real in man and the universe, properly disclosed and understood, far surpasses in strong permanent interest all the ideal resources of invention. Biography, history, the sciences, &c., now furnish a large proportion of the staple of popular reading in place of the imaginative ware which was formerly thought to be the only palatable food for 'the general.' Not that novels, poetry, &c., are now unread; on the contrary, they circulate far more widely than ever; but this only arises from the immense multiplication above noticed of the general mass of readers, and of this enlarged number an immense proportion find their entertainment in books which teach them something. Our readers will be prepared to find us advocates of a proper mixture of the imaginative with the real in the reading of all in every walk in life. Without this, as we have before remarked, all the wants of the human mind cannot be fully satisfied or all its powers nourished in their due strength and degree. Here, as in all relating to art, luxury, &c., everything depends upon proportion. What is wholesome of the proper kind and quantity in the proper place, becomes hurtful or even poisonous taken in excess or in indigestible mixtures, whether it be food for body or mind. As far as so varying and miscellaneous a body can be at all estimated, there is,

perhaps, on the whole, nearly as much improvement in the imaginative literature of the present day as in other branches. This of course is meant to apply to the character and tendency — the comparative vigour and genius of different periods lying wholly beyond the scope of our treatise. But it may, we trust, with truth be said that what is sickly, debasing, or corrupt, finds now but small approval and a limited circulation; and that the masculine tone of our practical countrymen runs small risk of being enfeebled, or our morals of being degraded by what is most popular in the current literature of excitement and amusement.

Akin to imaginative literature is artistic culture, occupying the ground connecting the ideal with the real in all objects of sense, and giving form and character to all the implements and surroundings of daily life. Here, as in science, the close connection between the mental and material is now first understood as practically affecting our arts and manufactures. Architecture, sculpture, painting, and music, are each in different degrees now regarded not merely as ministering to the sense of the beautiful, enjoyed by the highly refined and educated classes, but as important branches of instruction for the whole community. The idea of English art or English taste has only recently received what may be termed standing ground amongst us, and is as yet merely in an infant state of development. From the increased facilities afforded by railways, combined with the continual exhibition of all that is beautiful and curious in the art treasures of the past and present times, the working classes of our day are rapidly acquiring far more real taste in all connected with design than was possessed by the bulk of the middle and upper ranks a century ago. Of the importance and value of this national taste we are happily now aware. Foremost as England has always been in constructive ability and excellence of workmanship, she has too long, not wholly undeservedly, enjoyed the European reputation of entire want of the power to combine beauty and elegance of design with her manufacturing skill. It was almost universally admitted, even by ourselves, that we must copy foreign models to escape actual ugliness in

our buildings, furniture, fabrics, and implements of life. Fortunately the immense advantages enjoyed by those nations which can keep foremost in design is now better understood amongst us than formerly.* We feel but a mournful pleasure in this recognition at the present moment when the whole nation and our beloved Queen sorrow for the loss of that great Prince to whom this happy result is fairly owing, and whom Providence, whose counsels are often hidden from us, has seen fit to call away in his mid-course of useful benevolence. He made his own the happy idea of bringing together for comparison the best products of all lands; and of this we are now enjoying the excellent results. Our men of business and manufacturers are beginning to understand to how great an extent superior national taste has in many cases proved a rival and counterpoise to our skill and machinery, and taken the lead in supplying the world. We feel that the eye and sense, as well as the hand and head, of our best workmen, need much education. In this career we are making fair progress. But artistic culture having been only recently recognised amongst us as an important branch of national education, the next generation must be trained before the full measure of success can be attained. Probably our northern clime and sturdy Saxon development of frame and character can never be expected to reach that almost universal sense of grace and beauty, which wraps southern lands as with an atmosphere — glowing as their sun, and bright as their skies. There may, however, perhaps be some compensation in the distinctive tone and colouring which English art, when really native and not

* The Schools of Art, recently extended to many districts under Government direction, seem the best means that could have been devised to give the required training to our manufacturing and mechanical industry. We regret to learn that in some cases the admission of their pupils to posts of active usefulness has been impeded by the jealousy of what may be termed the superior class of workmen, fearing the competition of higher education with their own practical skill. But between the firmness of masters and the good sense of the leading men they employ, this evil will gradually disappear; and the full benefit of the instruction thus given be seen in the increased beauty and excellence of all higher branches of English workmanship.

of hot-house growth, will receive from these very peculiarities, just as there are in our clouded skies, island scenery, and sea-girt coasts, particular forms and scenes of beauty in their way wholly unsurpassed. As some proof that our national sense of the graceful and beautiful in art is not wholly wanting but merely dormant, requiring only to be awakened and educated, may be adduced the real heartfelt enjoyment of all that is beautiful and grand in scenery, of flowers, and of perfection of form in human and animal nature, which is almost universally manifested by all classes in this country to a degree unknown elsewhere.

High cultivation of the arts implies all those wants and enjoyments of a civilised community which are called the luxuries of life. Luxury is a term of very variable and expansive significance. The general distinction between what are deemed necessaries and superfluities is drawn somewhere or other by every one; but few are agreed as to the precise points of departure for the line of separation. This holds true nationally as well as individually, and comparatively with reference to past and present times. The luxuries of a ruder society and of a darker age, become the common wants of a more civilised community, and of times of greater refinement. These considerations bear with much interest upon all inquiry as to the state of the social life of any country at a given period. In determining the progress or decline of nations all tending to sloth, emasculation, effeminacy, or corruption must be carefully noted. It has often been said that the manifold inventions, comforts and improvements of our days, make life too easy by dispensing with personal risk and exertion; thus causing the decay of individual manhood and of national prowess, and fostering a tendency to personal indulgence and reluctance to encounter toil, peril, or privation. Were this really the case, the loss of our national standing would be near at hand amongst us. Fortunately no such impending calamity menaces our land at the present day. National worthlessness and feebleness depend far more on race, education, and climate than on relative comfort or elegance of life. The ignorant slothful denizen of a warm fruitful country is often sunk in the depth

of this abyss from which he can hardly be raised — not because he is effeminated by luxury, but because his wants are so few. He lives almost like the beasts that perish, and nothing will tempt him as he basks in the sun to more or longer exertion than will procure the next meal for which his stomach craves, or the scanty clothing he requires. Thanks to the comparative inclemency of our bracing air, and to the energy of our Anglo-Saxon character, the Englishman stands at the head of the social scale in which this poor brutish creature forms the lowest link. In no other race or nation is there the same degree of willingness 'to scorn delights and live laborious days' as amongst our countrymen. Even the highest in station — the noblest and the wealthiest — those who might repose like Sybarites lapped in every luxury — seek achievement and burn for success in some pursuit or other. The very sports of these ranks from youth to the grave are full of active exertion of every kind, and often require a degree of toil which, in almost any other country, would be deemed a bitter misfortune to be willingly endured by none who by any means could avoid it. Stimulated by the example of our good Queen Victoria, the ambition of the influential classes is directed amongst us to active usefulness, and to the help and improvement of their fellow-men in a degree unparalleled in former times. Whilst this remains the case, all that may be called luxury in our style of living will merely develop our arts, commerce, and manufactures, without corrupting the honesty and energy of character by which our national supremacy is maintained.*

* In this, as in some former remarks, the reader must not suppose that we deny the existence of much falling wofully below the high general character here given to the upper classes. The slothful, the vicious, and the profligate are unhappily found in all ranks amongst us in far too large a proportion. But a review of the whole so rapid as ours can only deal with preponderating influences; and in this respect few who can compare the present with the past generation will deny the general soundness of our conclusion.

The tradition of a past race of superhuman size and strength is of unknown antiquity; and the complaint over the continual decline of the bodily powers of mankind in each succeeding generation began with old

CHAPTER IV.

TAXATION AND GOVERNMENT EXPENDITURE

THE principle of self-taxation lies at the foundation of all national freedom. How jealously it has been guarded by the English every reader of our history is aware. Of somewhat later growth, but nevertheless long ago universally recognised amongst us, is the theory of equality of taxation, or of all ranks contributing in equitable proportions to the national assessment, instead of the existence of privileged classes on whom few or no taxes were levied. It is beyond the scope and limits of this treatise to dwell on the unhappy condition of the subjects of more despotic governments, where a large proportion of the higher ranks, themselves contributing nothing, prey upon the middle and working classes, who bear the whole weight of the taxes, but have no control over the amount of those imposts, the mode in which they are levied, or the payments to which they are applied. Precarious, indeed, must be the prosperity of those peoples without any protection against the ruinous effects of oppressive taxation, save in the remote chance of a continuous succession of wise and benevolent rulers. A complete history of taxation, properly illustrating its influence upon the destinies of different countries at various periods, would be at once an interesting commentary

Homer some thousand years before Christ, and has at intervals been repeated from that time down to the present age. It has even been a favourite theory with many that this decline was regular and gradual, and would continue until the human race dwindled down into nothing, as the sides of an angle finally meet in the point. But the vanishing-point of these dreamers has long since been passed without any authentic record of any diminution in the size and strength of different races. On the contrary, better food and more healthy conditions of life increase the physical powers of civilised nations; and for the combination of strength, *pluck*, and endurance which forms individual prowess, no population of large numbers in past or present times surpasses the average of the British people at this day.

on the true principles of political economy and the most complete evidence of their truth.

About theoretic perfection in the system of taxation there is at the present day no dispute, as far as abstract principles are concerned, though much difference of opinion frequently arises as to the application of these principles in particular cases. Nobody denies that the amount raised should not exceed the actual requirements of a good Government for expenditure beneficial to the State, or that this amount should be so levied as to procure the required sum with the least possible payment or sacrifice on the part of the subject. But in the discussion as to any particular tax, it is curious to see how these principles are appealed to with equal confidence on both sides of the question—by those who admit and those who deny the necessity of the impost sought to be levied, and by those who contend that the proposed mode of raising the required amount is the best possible under all circumstances, or argue, on the other hand, that the proposed tax is the very worst that could be selected. We fear our readers would rather be confused than aided in forming any correct conclusion by the arguments often used on both sides in cases of this kind. They will, however, be guided by carefully considering the leading rules which should regulate each particular application of the principles as to which all are agreed.

The forms which taxation has assumed at different periods of past times are so manifold and various that it would be a hopeless attempt to pass each in review and select those best suited to the present state of society. It would be almost impossible to devise any mode of raising money from the subject which has not been resorted to at one period or another. Many of these may at once be dismissed, as bearing their own condemnation in their mere titles, and long since abandoned, with no chance of their being again brought forward. The sale of offices, dignities, pardons, or oppressive powers,—the granting of monopolies, licenses, charters, privileges, &c.,—lotteries, forced loans, or gifts (by a bitter satire termed *benevolences*), fines, or commutations of penalties, &c., are now viewed as sources of revenue wholly repugnant to all principles

of good government and to the equal liberties of Englishmen. Some traces of the licensing system are yet retained, and the sale of commissions in the army still exists, though with no direct profit to the Government. But these last relics of time-worn abuses cannot, it may with confidence be asserted, endure much longer.

The people who vote their own taxes practically control all Government expenditure; for they have the power of refusing supplies when the public money is wasted or applied to purposes of which they do not approve. But even in our own Parliament, where all items of expenditure are fully considered in detail, this control is very imperfectly and capriciously exercised. The mass of figures to be examined, and the immense knowledge requisite to pass any sound judgment upon the various matters under review, repel all but the most determined members of the House of Commons, often leaving the ministers almost wholly unchecked in voting the public money. And when the members do interfere, it is too often unhappily in the wrong direction. Caprice, faction, temper, the weariness of the House, &c., not unfrequently regulate the opposition. It often seems, as if under some sense of their total incapacity to decide between proper and improper expenditure, the House of Commons, which should be the guardian of the public purse, follows, what is colloquially called, '*the rule of thumb*.' They let items of regular occurrence pass unquestioned, however objectionable, and sturdily oppose whatever appears for the first time, however useful in purpose or reasonable and necessary may be the grant asked for. This is much to be lamented. All Governments, even the best, need intelligent and continual revision. Jobbery, routine, waste, and inefficiency, under one form or another, are the chronic infirmities of all public offices. However much may be attempted by good ministers in the way of correction, the absolute necessity of facing the ordeal of the House of Commons is the only thoroughly efficient corrector of abuses and agent of real reforms. Therefore, constituencies should keep a continual watch on the representatives they send to Parliament, and only choose and retain members who ably and

industriously discharge this most important duty of revising the public expenditure. The senseless opposition to outlay really required for some important object is perhaps even more prejudicial than the remissness which allows to pass what ought to be objected to. Weighed down as they are by the engrossing cares of office, it is an immense exertion for ministers to bring forward or support any innovation purely and unselfishly for the public good. Instead of being thwarted and discouraged they need all the aid that can be given to them whenever they attempt to do so.

It has sometimes been argued that Government expenditure, being principally payment for goods or service, is little or no drawback upon the increase of national wealth, as it repays itself in the employment given and the manufactures and produce purchased. This is a grave error,—a rag of the false reasoning of the exploded balance of trade theory, already noticed. The employment of men and purchase of commodities increase wealth only when they are profitable, and supply further means of augmenting the capital of the country. It may be true that the expenditure in this country by Government of the revenue raised by taxation is not so heavy, continual a burthen upon the produce of industry, as if the same sum were sent as tribute to a foreign land. But this is all we can say; in either case, whether the money is spent at home or sent abroad, the only national profit is the benefit the Government confers in return for the revenue it receives by the proper discharge of its important duties. No expenditure by Government can add to the capital of the country as would the money raised by taxation, if retained by the people and husbanded with the rest of their property. The parties employed by and working for Government, though they make profit by such work and employment, themselves pay taxes. And these taxes—a deduction from the income or capital of all who pay them, however employed, must be viewed economically as the necessary payment for good government, only nationally advantageous when the best Government service on the cheapest terms is secured by such payment; or when, as in all other transactions, the payer gets the fullest value for his money.

When this point is passed, either by excess of taxation or by defect of good service obtained in return, the country is poorer by all such excessive or useless payment, and were such excess and inefficiency carried far enough would in the end come to poverty and ruin, even although every penny raised were spent in salaries, wages, and contracts. Indeed, such encouragement as public offices give to the labour-market, trade, and manufactures of our country quite as often does harm as good when viewed by itself. The standard of efficient service, which in private enterprise is kept up to the mark by the powerful influence of self-interest and competition, is often injuriously lowered by the lax and negligent routine of public offices. Contracts, from want of proper supervision, the ignorance of Government officials, and tendency to carelessness in managing business where the public pays for all errors, often positively injure sound healthy trade by encouraging a slovenly bad execution of orders which could never exist in dealing with customers, who themselves depend for profit on doing their own business well, and will therefore take good care that they secure upon fair terms the best that the market can furnish.

The limits of this treatise only permit a very hasty glance at the great feature of Government expenditure in these later times — the borrowing system. Though there is no novelty in this, for all governments in all ages have resorted to loans, yet this system of national debt first grew to its present giant proportions and took its place as a regular institution of public finance at the beginning of the present century, when war raged for some twenty years over the continent of Europe upon a scale before unparalleled. Dealing in the public funds or stocks — i. e. the loans to our own and foreign Governments, then became, and has since continued, a regular branch of the trading in capital in our country. Our own national debt was readily increased, whilst the wealth of England was also increasing. The wars in which the Government of those days engaged being popular, money to carry them on was lent freely; until the total borrowing reached an amount hitherto unheard of. When the fever and excitement of the contest subsided

on the return of peace, it was found that the interest of the debt thus created was a burthen the country could hardly endure, and all idea of ever paying the principal was almost universally thought to be chimerical. Our country suffered severely from the first collapse after the end of these wars, and for some years there was much misery and discontent amongst the lower classes. Yet all this while the capital of the country was gradually increasing, from the energy and skill of our men of business, and the abundant national resources we possess, so that day by day the country recovered prosperity, and was better able to sustain our heavy load of taxation. Since the abandonment of the protective system and the removal of all restrictions on trade, our growth in wealth has been so rapid, that the mass of the people have, on the whole, been prosperous to a degree before unknown, and no sane man now fears our national ruin or bankruptcy.

This continual improvement in the resources of the country, aided by a more judicious system of taxation, has enabled the immense revenue now raised to be levied with comparative ease to the people. Advantage has judiciously been taken from time to time of the prosperous condition of our finances, to lighten the burthen of the interest of the debt, by paying off a portion and replacing the amount by fresh loans at a lower rate. But the whole of this saving, though considerable, has been absorbed by the steadily increasing public expenditure in every department. Much of this increase arises from the enlarged demands of our rapidly growing population, and from many objects of national utility being now pursued at the public expense, for which the less enlightened administrations of former days made no provision. But the chief weight is caused by an expensive anomaly of our times. All the leading nations of Europe have lately raised their military establishments to the full proportions of the scale of actual war — thus making peace expensive to a degree before unheard of. The extent to which we have been forced in self-defence to follow this unwise system, and the consequent sacrifices it entails on our country, are of sufficient importance to demand consideration in a separate chapter. One healthy feature is

our increasing determination to resist the fatal facility of resorting to fresh loans on every occasion of extra expenditure, and to make energetic efforts to bear the burthen at once by increased taxation instead of throwing it upon posterity. This is the proper course, for history teaches us that such additions to national debts are permanent; the resolution to pay them off by instalments being almost invariably broken sooner or later; some emergency or other always arising to absorb the funds set aside for this purpose.

It has been matter of frequent debate, whether it would ever be possible to pay off our immense national debt; and many schemes have been proposed for this purpose, most of which are merely fanciful and impossible. Keeping the wise resolution above noticed, to avoid all increase, we may safely adjourn the question of paying off the principal to a future time; as the continual growth of the capital of the country increases, from day to day, our power of dealing with the debt in any way that ultimately may appear desirable, and meantime the Funds, as before noticed, are almost a national necessity, in providing a secure investment with a fixed interest. It is true that the rate of this interest is comparatively low, which often tempts unwise persons to seek higher returns from other hazardous investments. The worst forms of these, viz. foreign loans, will, it may be hoped, henceforth find but few foolish enough to embark in them. Heavy losses and bitter experience have too convincingly proved, that the high interest they offer is almost always a fatal lure. Few indeed have been the instances where States that have been large borrowers on these ruinous terms have not in the end come to national bankruptcy —non-payment or repudiation of their debts. One attendant evil of the existence of our Funds, is the facility they afford for continual gambling in speculations on their daily fluctuations. This is everyway unhealthy business — in many respects far from favourable to the morality of trade. However, it is some consolation to reflect, that our Stock Exchange is far more honourably conducted than that of any other country; and that the same kind of speculation would doubtless be reproduced in some other form, even if what are called Stocks were annihilated to-morrow by paying off our debt.

The pressure of the immense taxation to carry on the great wars above noticed, was much increased by these taxes being levied in almost entire ignorance of their real bearing and effects. No idea had then been formed of the immense extent in which the increase of national capital, if not unwisely checked, augments the power of the people to bear heavy imposts with little or no injury or inconvenience. When a tax or duty was to be made more productive, the only expedient was to levy a higher rate. Much disappointment was expressed when, as was frequently the case, this higher rate yielded little or no increase of revenue; and at last Government began to comprehend that there was a limit beyond which raising the taxes or duties on any particular thing could not successfully be carried. Their only remedy, then, was to find some fresh object of taxation. It would have been thought an utter absurdity to reduce the rate of any impost in the hope of increasing the amount it would produce. This may fairly be called the great discovery of our times, and has with complete success in many instances been judiciously practised on a wide scale. The important subjects of the incidence and effect of taxation upon the trade and industry of the country, demand some detailed consideration.

Our Parliament having the direct control over voting the supplies, the people by their representatives tax themselves. Viewed in this light the records of English taxation are a wonderful tribute to the public spirit and patriotism of our country. History teaches us, that except under the immediate pressure of the direst danger, or in some exceptional outburst of public feeling, nations, even where the love of country is the strongest, can very rarely consent to inflict upon themselves any heavy amount of taxation. Therefore despotic Governments having the power of raising by force whatever revenues they pleased, have again and again triumphed over representative States, which could not be induced to consent to sufficient public expenditure in time to secure safety. For the last hundred years our House of Commons has steadily proved that there is no sacrifice within the range of possibility which Englishmen will not make for great national objects.

This has been no fitful effort of party, merely pursued when

one side was in power, to be reversed in their defeat. After every allowance and deduction have been made for the extent of Government influence, and the comparatively limited control possessed by the middle classes over the election of members of Parliament in former times, the great fact remains patent, that nothing could have made this enormous taxation possible for so long a period, but the determination of the majority of the people to endure any burthen, however heavy, in support and defence of the English constitution.

The command the House of Commons has over the imposition of taxes renders it impossible long to continue taxation in a manner wholly unpopular. Therefore, the finance minister must often consider what he can get most easily voted, rather than what he thinks the best mode of raising the sum required with least injury to the material interests of the country. Hence the importance of sound knowledge on this subject being as widely diffused as possible, that public feeling may be in favour of the best possible mode of taxation. Theoretically, the simplest mode of collecting the revenue would be the best every way. If every man could be made to pay directly to the revenue department the exact amount which he ought to contribute, all his circumstances considered, almost the entire expenses of assessment and collection would be saved; and the largest possible sum would be raised with the least possible payment, since nearly all the amount would go direct to the exchequer. It is also obvious that this mode of payment could not injure any branch of manufacture or trade, as customs or excise duties, when at all heavy, do most seriously. Therefore, many political economists have recommended the abolition of all duties and assessed taxes of every kind, to be replaced by one direct tax upon property or income to raise the whole sum annually required.

This is a striking instance of the error noticed at our outset, of pushing a theory too far, neglecting all the circumstances controlling or modifying its operation. In comparing different modes of raising the revenue, it will not be needful here to discuss whether property or income would be the fitter basis of such a direct tax, because it will be found by examination

that, except in temporary emergencies, direct taxation should only be resorted to for a very limited proportion of the amount to be raised.

We have remarked that formerly the only limit to increasing a duty, in the hope of its returning a proportionally larger amount, was the discovery that after a certain point the heavier the tax the less it produced. This led to the introduction of direct taxation. Indirect taxes having been carried to the extreme limit which the country could bear, no fresh object for taxation could be found, nor could any existing tax or duty be made heavier, with any hope of its thereby becoming more productive to the revenue. Under these circumstances, direct taxation was resorted to, and found to be far more certainly to be depended upon to raise the expected amount than any indirect tax. But the desire of the minister to use such a facile and certain mode of procuring revenue was checked by the extreme unwillingness which the country has always shown to any property or income tax in every shape. It was only tolerated in the idea of making any temporary sacrifice to meet an emergency, with the certainty of its repeal when the immediate necessity ended. There never has existed the same unanimous repugnance to indirect taxation. Different interests complained from time to time of such duties or taxes as they thought pressed wholly or principally on themselves; but this opposition, being mostly limited or partial, was easily overcome. The amount each man pays of a duty is not taken directly from his pocket every now and then by the tax-gatherer, as in the case of direct taxation; and it was long before the people at all understood that a bad system of indirect taxation makes every man far poorer, from the crippled condition of the country, than does the direct payment which he dislikes so much. Each man often complained of bad times, high prices, losses, or reduced profits from his business or profession; but it has only of late been generally understood how much these evils were caused by heavy and injurious customs and excise duties. It was long supposed that the weight of these duties was borne by the business or products on which they appeared directly levied; whilst, in fact,

these only suffered in the same degree as the rest of the community from their worst effects. Some knowledge of political economy is required to perceive how the burthen of direct or indirect taxation is really distributed. The business hampered or prevented, the effect produced by any interference with the prices of any commodity upon prices generally, and the mode in which these and other similar causes prevent the national wealth from being continually increased by profits and savings, which should be again employed as capital, frequently cause a tax or duty appearing on a superficial view only to affect some particular trade or class to be, in reality, an oppressive and injurious impost upon the whole community — often the more harmful because its ill effects are hidden from view. It was long argued, in excuse for the protection supposed to be given by the Corn Laws, that the land really bore all the weight of taxation, because the land was asserted to produce all the real wealth of the country, which afforded the only source of any contributions to the revenue. This fallacy, however, has disappeared since it has been universally understood that the profitable employment of capital and labour is the only means of really producing and increasing wealth, and that consequently property and labour really pay all the taxes, whether direct or indirect. The various relations of different trades, professions, &c., so act and re-act upon one another in their daily social intercourse, that it is difficult to say in what exact proportion the burthen of any particular tax is distributed amongst different classes. It is, however, clear that all must suffer, in one way or another, from anything that tends to cripple the industry of the country.

Besides the impossibility of inducing any House of Commons to raise the whole revenue by one direct tax, other objections exist to this mode of taxation, so weighty as entirely to counterbalance all its other advantages if it were increased to anything like the amount that would be required. It would be utterly impossible to assess or raise it so as to be borne by all fairly and equally; and the attempt to do so would produce very wide-spread demoralisation. Even now it may be feared that this effect is to some degree produced by the

great temptation in many cases to escape with the least possible payments, by under-statements of actual income. The knowledge of this, and the attempts of the collectors to defeat the evasion, on the other hand, often lead to very arbitrary and unjust charges and proceedings, for which the means of redress can hardly be made adequate; and it is frequently upon the most honest and worthy that this oppression falls. Moreover, the circumstances and sources of income of different classes and individuals are so various in many ways, that the same nominal rate of payment is most unequal in its pressure; and it is next to impossible so to assess this tax as to make it in all cases fair and relatively equal. These evils and hardships are heavy drawbacks from the obvious advantages of direct taxation, and would be wholly intolerable were it attempted to raise the whole revenue in this manner.

The immense success which has lately attended a reduction of the rates of indirect taxation has opened the eyes of our financiers to facts undreamed of by the last generation. High duties of customs and excise were largely evaded, and demoralised the country by the temptation to smuggling and contraband trade; and, as we have noticed, so injured our commerce and manufactures as to become in the end less productive the higher they were raised. Exactly contrary effects followed their reduction. The prosperity and capital of the country so rapidly increased that the lowered rates soon yielded more than before from the immensely increased amounts on which they were paid. The well-known experiment of the uniform penny stamp of the post-office is a wonderful example of this. All temptation to smuggling or evasion of payment ceases when the duty (however great in aggregate amount) is at so light a rate as hardly to be felt in each individual instance.

It would, perhaps, be better wholly to abolish excise duties, which are very expensive to collect, afford great temptation to fraudulent evasion, and, by the unavoidable rigour and minuteness of superintendence, are all but ruinous to any trade or manufacture under their control. The system of low stamp duties, copied from the entirely successful postage penny, might in some directions be further extended to do away with

the obnoxious remains of the licensing system, and abolish the taxes upon insurance, which are very objectionable, being a direct fine on providence and prudence.

When indirect taxation has been thus improved, direct taxation must still be to some extent retained, though not made heavy in times of peace. However unpopular, it affords almost the only means of meeting sudden emergencies; and the principle of paying for these as they occur, not leaving them as a national debt to posterity, is so valuable as to be well worth even a greater sacrifice. The immense merit of an income tax for this purpose is, that it can be certainly relied upon for an immediate given amount, and that amount can be most accurately computed. All alterations in duties or other modes of taxation take some time to come into effective operation, and are open to many disturbing influences, sometimes defeating the wisest calculations of the amount they will produce. Moreover, changes in duties which are not permanent, but merely to be repealed again before long, unsettle trade, and from the uncertainty as to their duration disturb the calculations on which sound business rests. Therefore, the income-tax, preserved at a light rate in ordinary times, is an invaluable resource to meet all sudden demands for an increased revenue. All the machinery of collection being ready, the required increase of rate has only to be voted and collected. And this increase being paid upon the amount that has been previously returned or nearly so, comes before any fraudulent evasion can contrive to escape it to any great extent. Moreover, the heavier payment being merely exceptional and temporary, all temptation to such evasion is greatly diminished; the burthen which is known to be necessary and not expected to last long, being, on the whole, endured with tolerable resignation.

But to ensure these full benefits from the tax, the mode of collection should be made as easy and equitable as possible; by endeavouring to levy the payment justly and evenly with respect to the various circumstances of all classes of tax-payers.

CHAPTER V.

PEACE AND WAR

IMMENSE armaments by sea and land have in our days become a standing feature of European institutions. This is a novelty of wholly recent growth, and has assumed proportions so vast, especially in our own case, as to demand careful consideration in all its bearings upon the present condition and future prospects of the country. The employment of large armies by the first Napoleon in the subjugation of Europe, and the consequent combinations and preparations of the greater European powers to secure themselves from all future danger of similar aggressions, were the beginnings of this system; which has received its latest increase and development in the powerful army and navy organised and maintained by the present Emperor of the French, and the armaments in self-defence of the other leading powers of Europe, uncertain against whom these mighty preparations for war might ultimately be directed.

To this arming and counter-arming there hardly seems any limit except in the ability of the several nations to endure the burthen. Each country outvies the others, and each increase on any side is followed and surpassed by corresponding preparations in all other quarters. This has now gone on for some time, until the expenses of enormous military establishments have reduced most of the great European powers to the verge of national bankruptcy.

The evils of this state of things are manifold and apparent. Large armies, especially when not actively employed in war, soon become demoralised, and in their turn tend to demoralise all other classes of society. These effects of large bodies of men being gathered together with no industrial occupation are too obvious to require any detailed illustration. Moreover these huge burthensome military armaments, and the spirit which they create and foster — the national pride in their power and efficiency, and the desire to find some profitable

occupation for such costly machines, are a direct and constant temptation to unnecessary wars. The axe is no longer bound up by the fasces which gave the Roman Consul time for reflection, ere the weapon could be unwrapped in order to execute too hasty a mandate; but bared, all ready to obey the first rash impulse. Of the ruinous burthen which the maintenance of vast armies and navies entails upon the national finances, the proof appears in the beggared condition of more than one country which, if not borne down by such an intolerable weight, would be flourishing and affluent. In fine, the disastrous effects of this state of things upon the commerce and prosperity of Europe generally, are almost as great as if war, on a large scale, was actually raging.

The British empire, with its numerous dependencies, spreads over the four quarters of the civilised world. We have a province or a foot-hold on every shore—our ships cover every sea. Therefore our security requires land forces second in efficiency to no other power, and naval resources equal to those of all other powers combined. For the trade we have to protect, belonging to the mother country and our colonies, far exceeds that of all the rest of the world put together. And any sense of national insecurity tends to paralyse this vast commerce; but when our safety is felt to be assured, so extended are our relations with every quarter of the globe, that even whilst we are at war, a large proportion of our business goes on as quietly and regularly as in times of entire peace.

The revolutions which the use of steam by sea and land has wrought in all the arts of war, practically lessening distances and bridging over the sea, and the increased range of power of modern projectiles requiring defensive armour of vessels to resist them, have all tended to facilitate attack upon our possessions abroad, and to diminish the inviolability of our insular position at home. This requires increased vigilance and precautions on our part, and compels us to keep in constant readiness sufficient supplies of new ships and all muniments of defence. Armies cannot be called into existence in a day; however numerous may be the levies or ardent and warlike the spirit of the people. Some knowledge of the arts of war,

training, and discipline, are absolutely essential for men and officers, especially for the latter. But with such a brave, spirited population as ours, a well-appointed army is the nucleus round which new forces may, when needful, be gathered to almost any extent. The raw levies incorporated with skilled troops, and properly officered, become efficient in a very short time; whilst our command of iron, coals, and all stores, our manufacturing and engineering skill — our unequalled mercantile marine, supplying our navy with the best sailors in the world, and, if needful, with plenty of very serviceable vessels — all these resources properly employed, with sufficient preparation, leave Great Britain well protected against all possible emergencies. The recent measures connecting closely our merchant seamen and officers with the navy, and substituting voluntary service for the old brutal press-gang, are deservedly successful, as such wise changes to meet the spirit of the times ought to be.

It would be vain to attempt to raise our forces by sea and land to the full strength required for all our home and colonial wants on the scale of the armaments of other great powers, or to hope to keep them at that pitch constantly ready for all events. All we can do is to see that our establishments are not wholly deficient; and that all that is prepared is the very best of its kind in every way, so that we may have a good beginning to augment and fill up, should war unfortunately arise. We must in this event, as we have repeatedly done before, make high standard and efficiency supply the place of numbers. Our soldiers and sailors are the best in the world, and not a day should be lost in reforming all abuses in our official establishments, especially the purchase of commissions in the army, to ensure our men being officered in the best possible manner, and all arrangements for stores and muniments of war completed to the highest pitch of the most advanced knowledge of our times. The indispensable outlay for these purposes is so tremendous a tax upon the industry of the country, that every pound of public money must be so husbanded as to secure the fullest value. All waste, inefficiency, and jobbery, should be sternly and instantly visited by public rebuke and punishment

so that the Government may feel there is no possible evasion or escape from full performance of its duties in this important matter. As we have before remarked, the people should pay continued and intelligent attention to the conduct of their representatives in Parliament, upon whom, and the public press, depends that vigilant control without which abuses soon grow ripe in all public offices.

To eulogize the great volunteer movement of our day would be a waste of words, so universally are its merits appreciated. The practical good sense and patriotism of our countrymen have adopted and energetically carried out this best means of supplementing the deficient numbers of our forces by sea and land, which could not otherwise be maintained to the extent required for safety in all events, without intolerably burthening our finances. With this reserve at home, we now could, in case of need, send all our regular troops for service abroad; for our volunteers are sufficiently numerous and efficient amply to supply their place here; and the knowledge of this security gives us far more weight with foreign lands than we should derive from the most costly armaments. For it is manifest that this accession to our military power is no drain upon our finances, and is not purchased, as is unhappily the case with too many other nations, by imposing burthens on the people which they are wholly unable to bear even in times of peace, and which would soon make them helpless and bankrupt in the event of war. It is curious to remark how in this, as in some other cases, the circumstances of the present times bring us back in many respects to the condition of the earliest ages of society, as to some things apparently abolished for ever, by successive inventions and improvements. Railways restore to the land much of the conveyance of goods and passengers so long transferred to the sea, by increased knowledge of navigation; and the train brings back in a modified form the caravans of the primitive days of commerce. And the ruinous cost of immense standing armies has now forced upon us a recurrence to the old system of self-defence so long superseded by our reliance on our regular forces. As in those ages when every man trusted to his own hand to guard his head, we may now literally be said to carry

on the daily business of life, girt with weapons of war, and ever ready to muster at the sound of the bugle. There is so much in this volunteer system exactly suiting the peculiar wants and character of our people, that it may be hoped it has taken firm root amongst us as a national institution, to gradually increase and become permanent at home and in all our colonies.

We have referred to the increased influence abroad, derived from our security at home. All this influence should be exerted as far as possible in favour of peace. Independently of every good feeling prompting the earnest desire, by every means in our power, to prevent or lessen the miseries of war in other lands, we ourselves suffer immensely from all interruptions to that peaceful intercourse between all nations, on which so much of our prosperity depends. We should therefore always hold ourselves strictly neutral — friendly in every possible way to all that is good and free, but not directly meddling in the affairs of foreign countries, whereby we should only entangle ourselves in continual quarrels, with little or no chance of doing any good. We may always counsel all nations that will lend an ear as to the danger and folly of ruining themselves by excessive armaments. But it would be mere folly to reduce our own establishments below the point absolutely required for our security, in the vain hope of giving weight by our example to this advice. Our only chance of being listened to is in our being respected, from the conviction that we are moderate and disinterested, not from weakness, but because we are strong. Therefore, so long as any nation accumulates means of attack we must be amply prepared for defence. It is a sad pity that we should be forced to incur so much expense; but we have no help for it. All we can do is to see that the needful outlay is raised with the least possible pressure on the country, and spent as wisely as possible. Long continuance in the present course is impossible for all other nations except ourselves. Unless they are wise enough to retrench in time, nothing can save them from bankruptcy. We have only resolutely to refuse all help by foreign loans to those Governments which, by their general conduct and ruinous military

establishments, endanger the peace of the world, and wait the issue which will surely soon overtake them.

We may repeat, that it is manifestly our interest that all the world should be peaceful and prosperous. Great Britain has absolutely nothing to go to war for, and would only do so when such an issue could not be avoided with honour and safety. Our dominions scattered over the wide world are almost more than our population can occupy or defend. Any conquest forced upon us by unhappy events, would be a real misfortune; and we should eagerly embrace the first opportunity of restoring the acquired possession. But to secure this so much desired peace, we must always be manifestly strong enough to repel attack, and effectually show our determination to suffer neither insult nor injury. The mischievous policy of meddling with all our neighbours, and arrogantly trying to force upon them what we thought for their good, is happily now exploded, it may be hoped for ever. It has indeed cost us dear enough; and small has been the benefit this high-handed intervention ever brought to others or ourselves. Whilst still eager to aid with counsel and influence all we think right and believe will enable other nations to secure the blessings we enjoy, we now understand that every country can best manage its own affairs, and that any interference unsought for or compulsory can do nothing but harm.

It would be well worth while to examine whether some general agreement could not be come to by the great European powers, to limit the armaments of each individually, and supply their place by some system of international police, making wars in Europe as difficult as theft or personal assaults are in a well-regulated country. This would appear to be one great end to be attained by national congresses, which are increasingly resorted to in our times by the civilised world. The present unsettled state of so many powers unfortunately leaves small room to hope this desirable result can immediately be attained. But our country will nobly fulfil her high mission of doing good, and confer a great blessing on mankind, by aiding with all her influence any well-considered movement in this direction.

CHAPTER VI.

RICH AND POOR

SOME of the effects caused by the increasing difference between the rich and poor as societies advance in civilisation have been noticed in former pages. The present chapter reviews the influence which large accumulations of capital exercise amongst us upon the middle and lower classes, and the condition and relief of our destitute poor.

In briefly describing the leading features of the aspect of trade and manufactures at the present day, we have remarked the continual tendency towards enlarged establishments and enterprises, for which both the wealth and inventions of these times afford great facilities. One obvious consequence of this, unless checked by counteracting impulses, is the decline in numbers and standing of smaller manufacturers and tradesmen, leaving the immensely rich and the destitute poor at the opposite extremities of the social scale, with the middle links, which formerly connected these two classes, weakened or destroyed. It would be useless here to repeat in detail various causes of this change, which have before been sufficiently explained; the principal being the gradual decline of profits from competition, which substitutes large gains made by extending the scope of operations at very low rates for the higher returns which before afforded sufficient remuneration on a smaller range of business. As we have already noticed, this consequence of advancing civilisation has long engaged the attention of political economists; and though they have often exaggerated the probable influence upon our future destinies of such a gradual change, yet its real effects and consequences well merit our careful attention. The importance of the element which an intelligent and prosperous middle class communicates to society can hardly be overrated. They form the connecting links between capital and labour, and prevent all the power of wealth from being concentrated in a

narrow circle. In fact, without this class — spreading brains, property, and active habits of industry over large numbers of the people — it would be difficult to avoid the alternatives of aristocratic or democratic preponderance. It is not easy to say which of these opposite extremes would, upon the whole, prove the worse governing influence, or whether the conflict of the two, with no mediator between, would not in the end be the worst of all. Unhappily, the present condition of more than one country, and numerous examples in past history, show us the ruinous consequences of each of these contingencies. Moreover, the existence in large numbers of a thriving middle class is essential to the permanent security of national prosperity. When large fortunes have been made there is too frequently a tendency to relax the active exertions whereby they were acquired. The mercantile and manufacturing firms of note may be continued in the same families, but the generation succeeding to the founders of the fortune are too often money-spenders instead of money-makers. Therefore, to keep business healthy, an active intelligent middle rank of establishments should continually arise to take the place of those that are overgrown and effete. Otherwise our country would not securely retain that lead in the commerce and manufactures of the world, which can be the reward only of superior skill and vigour. Again, when these gigantic houses decline in prosperity they often continue business on unsound principles, depending wholly upon their unbounded credit, and stand like some huge tree, which, though wholly rotten at the core, is held together by the rind covering the concealed decay, until a storm brings all down with a mighty fall. The disastrous consequences of this can only be alleviated by others doing business more safely, though perhaps, on a comparatively contracted scale, and who can to some extent occupy the place of those who have failed, and gradually employ the labour thus thrown out of work. Fortunately in a society so complicated and refined as ours, in all the arts of life there constantly arise fresh trades, callings, and modifications of employment, which especially belong to the middle class, and replace those branches of business which gradually

pass into wholesale extension on the largest scale. These counteracting influences are the preservation of the country. The wise and benevolent in all ages have with reason deplored this tendency of advancing society towards the extremes of riches and poverty; which in times past has invariably been followed by the decline and fall of nations where the middle class had been, as it were, crushed out of influential existence or never arisen to take its proper place as a constituent body of the state. But the dreams of some well-meaning enthusiasts to prevent this mischief by reconstructing society on some fanciful scheme of equalising properties are all, it is almost needless to remark, mere chimeras; the effect of which, could they be tried in practice, would substitute worse evils for those they seek to cure. The few instances afforded by history of attempted pantisocracies, as they may be called, have briefly come to a disastrous end. Our readers will, it is hoped, ere this, so well understand the real structure of the frame of a healthy living society, as to see for themselves the reasons of this; and comprehend why the uniform fate of such ricketty bodies has been to pauperise the dupes who were fleeced by a few knaves who demolished the delusive scheme as soon as nothing more was left for them to prey upon. The real remedy for this and other social defects is in the increased intelligence, industry, and morality of all classes, which enable the middle ranks to be continually recruited from the best and ablest of the body of workmen, who, by inventions, savings, energy, and seizing opportunities, make fresh openings and create new businesses for themselves. Again and again we have said that upon the working class much of our future depends for good or evil. They form the mass of the people; and to them and to the middle rank immediately above them it is mainly owing that our country can never present the melancholy spectacle of a nation of paupers, coerced by a mercenary army, and governed by a worthless aristocracy. For happily with us the rise is frequently rapid to the highest from the lowest rank, and this continual infusion of new blood preserves and mainly helps to form the high character, given in a former chapter, to a majority of our upper classes.

We must now approach the most painfully interesting part of our subject: the best mode of providing for those at the bottom of the scale who from various causes are unable to support themselves. The difficulty of dealing with the destitute poor has always been immense in all large communities however prosperous in which they always form too numerous a body. Not only is the amount required to give any effectual relief in times of general distress so enormous as hardly to be raised without severe pressure on many classes, but the distribution of this relief has a direct tendency to destroy the independence and self-respect of the working men, and if carried far enough almost pauperises the population. It is mournful to see how soon what may be called a distinct class arises solely depending upon alms or parochial support, and unable or unwilling to earn their own subsistence even when more prosperous times return. This state of things was formerly aggravated, especially in agricultural populations, by the majority of those administering the relief of the parish poor being employers of labourers, and combining systematically to keep wages down to a point forcing all the men with families to depend in a great measure on parochial aid for support. The apportionment of the weekly dole proportioned to the number of children in the labourer's family was made as a matter of course. Under this system the poor rates rapidly increased; and so did the claimants upon them for relief, until in some parishes they rose to such a height that it became impossible to collect them. The whole parish might, in fact, be said to be pauperised, and rates in aid had to be levied on surrounding parishes to save the poor from wholesale starvation. Of course these pauper parishes as they may be called soon came to be avoided — farms were unlet, and this caused the evil to increase gradually until the whole question was taken up by Parliament; and after mature enquiry and deliberation the poor-laws at present in force were enacted as the best means of putting an end to this wholesale degradation of the labouring class.

This improvement in the system of parochial relief has succeeded in preventing the poor from literally swallowing up

the land and in stopping the fast-spreading degradation of the working class, but still leaves the needful help to the destitute in seasons of particular distress very unsatisfactorily and insufficiently provided for. The main check upon the pauperising of the whole population, which was before going on at a frightful rate, has been what is called the workhouse test. Out-door relief is strictly forbidden — the starving poor must enter the workhouse and conform to the hard living, discipline, and labour there enforced. But in times of wholesale distress this rule cannot be adhered too. There is no room within the workhouse walls for a tenth of the numbers needing relief, and many of the most deserving sufferers would sooner perish of want than become inmates of a workhouse. And, independently of the wicked cruelty of attempting to destroy this honourable feeling, the doing so would frustrate the very advantages of our improved poor laws, which were altered expressly to put an end to the state of things formerly forcing the independent poor to become paupers. Therefore in these times of pressure the system is perforce relaxed, and out-door relief to some extent is given for awhile. But this relief is administered by officials, whose chief duty at other times is to deal with those who try systematically to live upon the parish, and so to administer the workhouse test as to answer the desired purpose of forcing such idlers to earn their own livings. Therefore these parish authorities too often treat the deserving poor in a very hard-hearted manner, trying to make the out-door relief they cannot help giving as meagre, bitter, and unpalatable as possible. This is a sore evil, and calls for the strong active interposition of the humane and influential in all such cases, both to see that the parochial relief is fairly and not unkindly administered, and to supplement it in every way by extra funds raised by subscription. But even when all this has been done, the old mischief recurs. If the help is sufficient, the spirit of self-help in the poor is too often weakened or destroyed. Some kind of work should be devised which can at once be given to any number and at any time wholly or partially suspended when they can return to other employments. The importance of extending help in the form of wages rather

than as alms can hardly be overrated. It often makes all the difference between the temporary assistance doing harm or good. The fixing upon the kind of work best suited for this purpose and providing all that is required to have recourse to it at a moment's notice should be the careful matured task of easier times. When sudden distress overwhelms large masses of the poor all the time and energies of the benevolent barely suffice to succour the wretched and starving, and it is wholly impossible then suddenly to extemporise the labour wanted. The difficulty of providing this suitable labour is in many ways very great. Still it may be hoped the thing can be done if heartily taken up by practical men with a due sense of the resulting advantages.

Perhaps the most considerable evil of the workhouse system yet remains unnoticed — the difficulty of properly bringing up and training what may be called workhouse children. Experience too unhappily proves that in spite of all that can be done by education, good management, and kind visitors, the want of an independent home exercises almost a fatal influence on these poor little ones. Children wholly reared in the workhouse, too often, after all the pains taken to start them fairly in life, only recruit the ranks of pauperism and crime. It would be well worth while to organise a systematic emigration for all of these, save the very best and most hopeful, who can at once be well provided for at home. In a new land they might start fair, freed from all degrading or demoralising associations, and the expense of sending them out would, in the end, be returned many times over, could the saving be computed of the cost of maintaining the large proportion of those who never emerge from the pauper class, and return to the workhouse whence they came, to be supported as long as they live at the public expense, if they do not prey upon society in the worse and more expensive form of criminals.

Amongst the best means of preventing temporary relief from injuring the self-respect and self-reliance of the working classes, the judicious private benevolence of their employers, neighbours, and those who know them personally, stands foremost. The help thus extended assumes much of the character

of that friendly aid which all men mutually owe to one another, and is thus deprived of some of the most objectionable features of living upon alms. This help, moreover, can thus be given in the manner best enabling those who receive it to recover their independent position at the earliest possible moment when better times return. Probably much good might be done by associating the most intelligent and influential of the working classes as a regular constituent part of all working committees to relieve the poor. Besides the immense advantage which would be derived from their superior knowledge of all relating to their own body, many other good results might be expected to follow from this conjunction. They could give valuable assistance in fostering those habits of saving in prosperous times, and of joining good benefit societies and making deposits in Post-office savings banks, which are the working man's surest and best reliance to provide in his own homely expressive phrase, 'against a rainy day.'*

CHAPTER VII.

NATIONAL WELFARE AND PROGRESS

ONE parting glance over the present, and all we can anticipate of the future will close our view of the social condition and relations of our country at this day.

It has been frequently assumed as an undoubted truth that

* It is melancholy to reflect how many charitable endowments, founded by the benevolence of former times, have become worse than useless — sometimes from the immense difference between the wants and condition of society in our day from those of the date of their foundation, and too frequently from direct fraud and malversation of their funds. May a better fate attend the munificent donation to the poor of London by an American merchant long resident amongst us, announced just as these pages pass through the press! The views as to its disposal expressed by the generous donor appear likely, as far as sagacious forecast can provide for the future, to secure this desirable result.

nations, like men, have their allotted span of existence, and grow to full power, decline, and fall, just as youth passes onwards through manhood, to old age, and death. Nothing, it has been held, can long endure unchanged in human affairs, and the flower of national greatness has been supposed to wither and droop like the flower of the field when its day was over. If this were really true we might have some cause to fear that the British Empire is already doomed. A century of unexampled growth in strength and prosperity has brought us to a pitch of wealth and power unequalled in the past annals of our own or other nations; and which, it might be argued, we could hardly possibly increase or even long retain. But a closer view of the circumstances on which national welfare and prosperity really depend, will allay these fears, and leave us, trusting in Providence, many hopes for the future, even after full allowance for the transitory uncertainty of all mortal greatness. The decline of nations, though in many of its features resembling the worn out feebleness of old age, does not arise, like the sinking of the human body, from the completion of what may be termed a natural term of life. There is no fated cycle of years limiting the conditions of their growth or assigning their period of decay. They increase and flourish by the aggregation of individual power and superiority, and finally fall from the failure of that worth and vigour which alone can long maintain society in a healthy state. During their entire existence, the strife between good and evil which has been waged in this world from all time of which we have any record, continues within them, as elsewhere, in every form of human life. In this perpetual warfare each generation shapes not merely its own destiny, but to some extent that of those following; accordingly as the influences leading to good or evil are allowed to preponderate. The means whereby the preponderance of good may be prepared and secured have, we trust, been sufficiently illustrated in our former pages. From this conflict, 'never-ending, still beginning,' there is no escape. All fanciful schemes for abolishing crime and misery, in so reconstructing society as to secure the national welfare by minute regulations fail; except perchance, in a few very small commu-

nities where the zeal and moral worth of the majority of their members would have equally insured comfort and prosperity under any other social system. In all other instances the great evil recurs. Where the dependence is on stereotyped ordinances rather than upon men, sooner or later the crafty and violent succeed in reproducing, under some form or other, far worse mischief than the Eutopian ideal of perfection was framed to cure. And even in the case of Governments, laws, and institutions, wisely fitted to secure general happiness, their actual operation extends no further than accumulating the influences for good, and depressing those for evil if well administered. Of themselves they are as powerless for defence or aggression as the weapon which must be wielded by a strong and skilful hand to save life or inflict speedy death. Therefore, in estimating their value, we must examine the spirit and manner in which they are put in force and exercised.

Viewed in this light our country so far shows no sign of approaching decline. A review of all past changes is one continued chronicle of improvements, nor does there seem any ground to suppose that the vast mass of crime and misery inevitable in all large communities, has at all increased amongst us in relative proportion to what is good and healthy, or in contaminating influence upon our national character. It may, on the contrary, be hoped that good progress has on the whole been, and is continually, made in the opposite direction. The improved education of all classes, and extended friendly intercourse between our upper and lower ranks are certainly encouraging indications. Endeavouring day by day to carry onwards these and all other good influences, we may safely trust the future of our country to Providence; secure that our national standing will be maintained until the time comes when some other nation arises to take our place in the world, by being more intelligent and energetic and of higher moral tone than ourselves.

That day will arrive late, if at all, provided that we, one and all, each in his allotted sphere, strive to act as well and worthily as if the welfare and fair fame of our great British Empire depended upon ourselves alone.

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